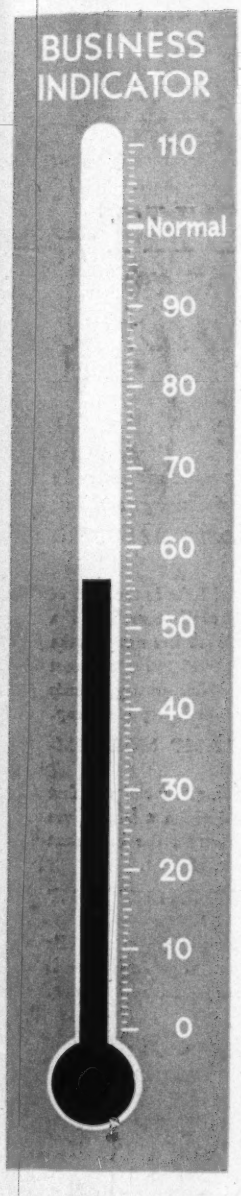
MAY 9 1932

MAY 11, 1932

THE BUSINESS WEEK



As we move into May the slight spring spurt of early April seems to be petering out . . . . Steel mill activity is still slowly increasing under the uncertain stimulus of low-price automobile production, but the price structure is weakening under competitive consumer pressure and prospects of further wage cuts . . . . Electric power production and merchandise carloadings show slackening response to seasonal influences . . . . Building contracts made a better showing in April and have stopped declining, but are below a subsistence basis . . . . Commodity price averages show some tendency to stabilization, but security markets have slid off to pre-war levels under legislative uncertainties and necessitous liquidation . . . . Foreign hysteria over "inflation" has come to the surface and started gold exports again . . . . In spite of all these discouraging developments the basic conditions for business recovery are being quite clearly established, although they are utterly and almost universally ignored . . . . Administration measures and Federal Reserve efforts have unquestionably created an enormous improvement in the banking position in the past two months, but the campaign for credit expansion is at a standstill because Congressional chaos has wrecked business and banking confidence . . . . Anxiety over the bonus, the budget, the tax bill, bank reform measures, stock-market muckraking and the early adjournment of Congress are the only outstanding obstacles to business and financial stabilization . . . . If these incubi could be quickly removed there might be a better chance for steady business recovery during the remainder of the year.

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IF YOU USE ELECTRIC LIGHT—

it will pay you to read this statement

DO YOU KNOW

THAT your true cost of light is the price you pay for the incandescent lamp plus your cost for the electricity which the lamp consumes?

THAT the price you pay for an incandescent lamp is only a small factor in this true cost of light?

THAT the last ten years of General Electric research and development work has resulted in a startling increase in the amount of light which incandescent lamps give, for the electricity consumed, and that to the consumer the value of this increase in lamp efficiency was more than one billion dollars?

THAT this billion dollar economy far exceeds the total sum received by General Electric from the sale of its lamps during this same ten-year period?

THAT General Electric's lamp prices are now approximately one-half of what they were ten years ago?

BECAUSE

the facts concerning the true cost of light are not generally known, General Electric answers the following questions:

1 CAN YOU SAVE MONEY ON LIGHT BY BUYING LAMPS MERELY ON PRICE?

Not necessarily, because the true cost of light is the cost of the lamp plus the cost of the electricity used; therefore, if a low-priced lamp is an inefficient one, which has not had the benefit of this research and development work, your true cost of light may be increased by an amount which greatly exceeds the saving made through the purchase of the low-priced lamp.

2 IS THE EFFICIENCY OF A LAMP MORE IMPORTANT THAN ITS PRICE?

Yes. The inefficient lamp may save you a few cents in first cost, but, because the quantity of light which a lamp gives for the electricity consumed is so important, the inefficient lamp may greatly increase your true cost of light.

3 HOW CAN YOU TELL AN EFFICIENT LAMP FROM AN INEFFICIENT ONE?

Only by laboratory measurements, including an actual Life Test which destroys the lamp. The practical guide for you is the trade mark of a manufacturer in whom you have confidence.

Remember: You buy lamps to get Light. Remember, also, that the true cost of light is the cost of the lamp plus the cost of the current which the lamp consumes.

GENERAL ELECTRIC

NELA PARK · CLEVELAND

Lamps for Home Lighting and Decoration, Automobiles, Flashlights, Photography, Stores, Offices and Factories, Street Lighting and Signs... Also Sunlight Lamps... **LAMPS FOR EVERY PURPOSE**

THE BUSINESS WEEK (with which is combined The Magazine of Business) May 11, 1932, No. 140. Published weekly by McGraw-Hill Publishing Company, Inc., 330 West 42d Street, New York, N.Y. James H. McGraw, Chairman of the Board; Malcolm Muir, President; James H. McGraw, Jr., Vice-President & Treasurer; C.H. Thompson, Secretary. $7.50 per year, in U.S.A. and possessions; $10.00 or £2.10s. per year in all foreign countries. 20c. per copy. Entered as second-class matter February 15, 1930, at the Post Office at New York, N. Y., under the act of March 3, 1879. Printed in U.S.A. Copyright 1932 by McGraw-Hill Publishing Company, Inc.

This Business Week:

Recovery

At this time, the main obstacles to restoration of confidence are not economic, but fiscal, legislative, and political. We appeal to all groups in the business community, to both parties, and to Congress to declare an armistice on immediate differences of opinion and individual interest and unite for emergency action in the critical period just ahead. *(Editorial, p. 5)*

Finance

Week after week, the Federal Reserve has been pounding deflation with its heaviest artillery. Now it's up to the bank tanks and the business troops to go over and consolidate their positions. *(p. 7)*

Bankers aren't adverse to the Glass bill—if it can be changed here and there where it affects bankers. *(p. 8)*

This year's first quarter reports are better expressed in terms of how little was lost than how much was made. Heavy industries, nearest to raw commodities, lost heaviest. *(p. 9)*

Fire insurance companies are holding up payment for loss until 60 days after proof to discourage those who might be tempted to solve immediate emergencies with a match. *(p. 20)*

Farm Aid

Farmers would be glad to see any of their 3 plans for relief in effect. But it's a long way from the Senate Agricultural Committee to actual operation by the Farm Board. *(p. 19)*

Construction

Home modernization drives, inaugurated in 231 cities by the Department of Commerce, are hampered by lack of local funds. The U. S. Building & Loan League believes Home Loan Banks would unlock a great deal of building. *(p. 29)*

Marketing

Part 3 of *The Business Week's* study of the American consumer market analyzes the effect of style and leisure on expenditures for high-replacement goods, services, and durable goods. *(p. 14)*

People are eating more meat, now that it's cheaper than in years, but packers aren't making any more money—for the same reason. *(p. 9)*

The Supreme Court expects every big packer to do what he said he'd do—stick to packing. *(p. 10)*

Between the weather and the bugs, there's a chance of shortage in staple and specialty crops, with higher price tags on the grocers' shelves. *(p. 11)*

Packaged roses are just the beginning of a new merchandising idea. *(p. 18)* Postal Telegraph is going to cash in on good will built up through its services, sell electric clocks, maybe other appliances. *(p. 12)*

Jobs and Relief

Even in 1930 and 1931, employment increased in April. This spring saw no pickup, and with that faint hope removed, relief funds may very likely come out of Washington via Reconstruction Corporation support of municipal bonds, that being less distasteful than the dole direct. *(p. 28)*

A national survey upsets the theory that wage cuts reduce costs, increase sales, and—eventually—wages. Poor business brings wage cuts; wage cuts bring poor business. *(p. 28)*

Congress is getting behind the movement toward compulsory unemployment reserves. *(p. 25)* An insurance company has cut, but employees get the deduction back in trade; which helps both parties. *(p. 29)*

Transport

Both the railroads and the Interstate Commerce Commission are represented in the final draft of the rail legislation, just reported to the House, which may become the Transportation Act of 1934. *(p. 24)*

The St. Louis-San Francisco will not get that Reconstruction loan until it solidifies its capital structure. Which gives an idea how the R.F.C. and I.C.C. will use their power to dictate railroad financial policy. *(p. 24)*

Taxes

Chicago has been pointed out as the "horrible example" of local taxation problems now so acute. Here is the most spectacular case of unbalanced budget and archaic tax law. And here is an organized taxpayers' revolt the motive force of which seems really sheer inability to pay. *(p. 22)*

Foreign

This last, tough year showed up the cartels. These price and production agreements are no stronger than their enforcement. *(p. 30)*

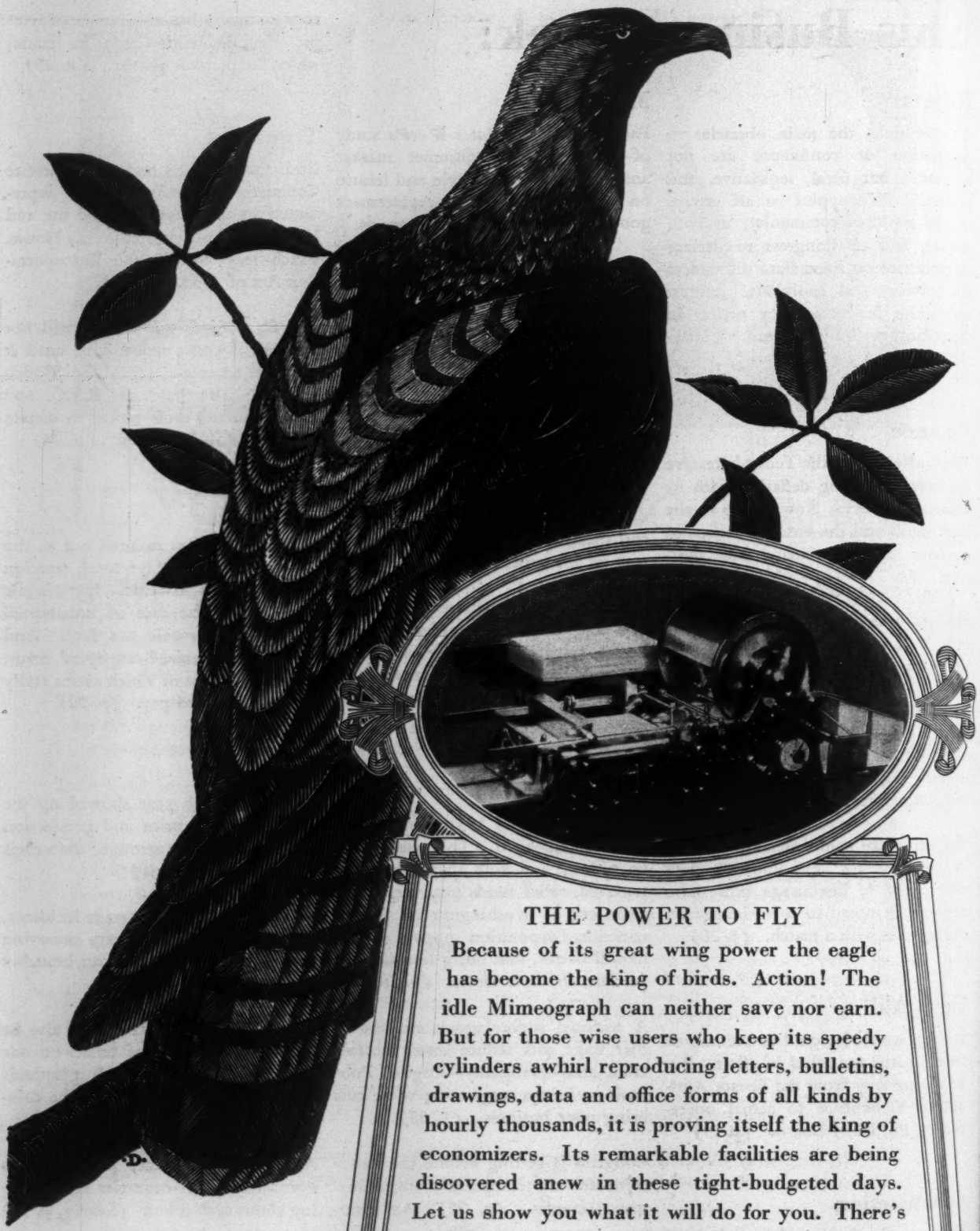
After 6 years of unpleasant incidents, France has signed a treaty removing the double tax on American branches in France. *(p. 31)*

Americans selling abroad will also be interested in effects of tariffs on our trade with Spain; French proposals to aid pineapple growers in the colonies. *(p. 36)*

Abroad, as at home, politics holds everything. All countries are worrying about each other. *(Survey, p. 33)*

In this issue:

"Effects of Leisure," Part 3 of The American Consumer Market



THE POWER TO FLY

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THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending May 7, 1932

Clear the Ground for Recovery

An Editorial

OUR understanding of the immediate business outlook is this: In spite of the formidable difficulties produced by the most prolonged and severe deflation on record, our economic structure has so far stood this unprecedented strain fairly successfully, and is still surprisingly strong. The support provided by Administration measures for the weakest spots in the situation has been effective in preventing further deterioration.

The current efforts of Federal Reserve authorities to start the process of credit expansion are promising and of the utmost potential importance. There is a good chance that if they are not interfered with they will succeed in stabilizing the situation and gradually start business on the road to recovery.

The next two months will be critical. If the immediate obstacles to the restoration of business confidence can be speedily removed, and no new ones intrude themselves, the process of recovery may be rapid. If these obstacles cannot be cleared away by cooperative, public-spirited action by all parties and groups, no one can say what the consequences will be.

The main obstacles to restoration of confidence now are fiscal, legislative, and political, not economic. Whether justifiably or not, they are paralyzing the normal processes of recovery because they render impossible those individual decisions of business and banking executives necessary to start the economic machinery moving once more.

Whatever the individual, group, or party opinion on the issues involved may be, no matter who may be responsible for the evils, injustices, or errors concerned, the time for recriminations, for punishment, or for uncompromising insistence upon principle is past. We must first put out the fire; the damages and the architectural details of remodeling and repair can be settled later, when nobody's life is in danger.

For these reasons we appeal to all groups in the business community, to both parties, and to Congress to declare an armistice on immediate differences of opinion and individual interest and to unite in this emergency for action to these specific ends:

(1) Definite adjournment of Congress before the conventions and complete suspension of the stock-market investigation till the next session. There are many important matters on which Congressional action would be desirable before December, but it is impossible to expect constructive action from this Congress under current chaotic conditions or in the atmosphere of an election year. We sympathize with the desire to expose and correct the evils of our speculative security trading system; but believe the problem will require more careful consideration than Congressional committees can give it in the present situation. Efforts to overcome these evils now must inevitably be colored by personal and political motives and cripple public confidence in security markets at a critical time.

(2) Decisive and prompt rejection of all proposals for immediate cash payment of the bonus to veterans. These proposals are ethically unjustified and economically unsound, and are supported principally by the political pressure for inflation. We believe restoration of the pre-depression price level is imperative but that every effort should be made to initiate it through controlled credit expansion. Any attempt to resort to direct currency inflation would be destructive to domestic and foreign confidence in our financial structure and would in fact foster further deflation.

(3) Immediate declaration, by joint resolution of Congress, of its unalterable intention to balance the current operating budget of the federal government by 1933. We believe that the principle of balancing the budget has been unwisely overemphasized during a depression period, and confused by a failure to distinguish between current operating and capital expenditures; but it is now impossible to alter the public state of mind on these questions. To maintain domestic and foreign confidence in the public credit, a definite declaration which will remove doubt about the sincere purpose of Congress in this connection is desirable. Such doubt is disturbing to the complete cooperation of banks and investment institutions in the efforts of the Federal Reserve authorities toward credit expansion.

(4) Adoption of any and all cuts in appropriations for the next fiscal year which will involve a minimum of curtailment of employment and public improvements and which can be agreed upon promptly. On principle we do not sympathize with much of the motives or manner of the current attack on public expenditures, but we believe that important economies are possible and are desirable where they are not attempted by blanket cuts which imply increased unemployment or suspension of needed public construction. In so far as Congress can agree upon such reductions without delay they would be helpful to public confidence as evidence of legislative determination to put government operation on a more efficient basis.

(5) Abandonment of fruitless efforts to improvise a patchwork revenue bill by special excise, transfer, and import taxes, and application of a uniform low-rate manufacturers' excise tax without exemptions, together with sufficiently high individual income and inheritance taxes to balance the budget. We are open-minded on the principle of establishing general consumption taxes as a permanent part of our revenue system, believing that the long-run interest of American business expansion may require the encouragement of consumption and the increasing diversion of capital funds into the consumer market. But under present conditions it is impossible for this Congress to develop promptly a sound revenue measure of this sort. The proposals it has so far adopted as a desperate substitute for the manufacturers' sales tax represent merely a miserable makeshift, a haphazard hodge-podge, recklessly discriminating against individual industries and dangerously dubious as to their adequacy to yield the return necessary to balance the budget. The simplest, safest, and speediest solution of the problem is to scrap them and revert for the period of the fiscal emergency to a universal manufacturers' excise, which of all forms of sales taxation will be easiest to administer and lightest in its burden on the consumer.

(6) Postponement to a later session of all proposals for general revision of the banking system under the Glass bill. We sympathize with the basic purposes of this effort to improve and strengthen our banking structure in the interest of future business stability, because we are convinced that serious weaknesses in our banking and investment machinery and their administration are fundamentally responsible for the business depression. But we believe that a major operation for this purpose should not be undertaken when the patient is in a debilitated condition. Anxiety about the consequences of this legislation is probably the most important factor hampering the cooperation of the banks with Federal Reserve efforts toward credit expansion, and preventing normal response of the security markets to them, both of which are indispensable for business recovery.

(7) Inclusion in the platform of both parties of a clear declaration of policy on the war debts, so that the next session of Congress or the next Administration may have a definite mandate from the public upon which to act according to any decision that may be reached at the reparations conference in June. We believe that the basic economic importance of the war debt and reparations problem in the present depression has been greatly exaggerated, but there can be no doubt about its psychological or sentimental importance for business and financial recovery. The action of the reparations conference in June may or may not involve a decision by this country, but is sure to be disturbing to business and banking confidence unless before next December, when the debt-moratorium expires, all doubt about the attitude of the public, the Administration, and Congress on the question is definitely removed.

Campaign Against Deflation Has Reached the Crucial Stage

With some objectives already won in Reserve attack, success now depends on public morale

THE bare statements of the Federal Reserve Banks and their brood of member banks issued each week have become communiqués from a battle front where, since the beginning of the year, and especially since early in March, a titanic struggle has been going on silently and unseen by business, although upon its outcome the speed and even the certainty of business recovery depends. In this struggle the power of the Federal Reserve system itself as well as the validity of certain far-reaching theories of central bank operation are being put to a crucial test.

The immediate issue at stake is whether the Federal Reserve Banks, through purchases of government securities on a sufficient scale, can check the contraction of credit by the member banks, initiate an expansion of their loans and investments which will result in revival of business activity and rising security and commodity prices.

The battleground for this struggle was prepared in successive stages by the establishment of the National Credit Corporation last October, the Reconstruction Finance Corporation in February, and the passage of the Glass-Steagall Act shortly thereafter. The progress of these preliminary campaigns against deflation could be traced since the beginning of the year in the figures of the number of bank suspensions, which have run as follows: January 342; February, 122; March, 45; April, 55; and in the curve of currency in circulation which has fallen about $230 millions since Feb. 1.

These bulletins have recorded the gradual restoration of confidence or morale among bank depositors—the doughboys in the financial army. The curtailment of bank suspensions has meant that much of a check to the contraction of bank credit, because every time a bank closes the amount of potentially active purchasing power is reduced by the amount of its deposits. The decline in currency in circulation has meant that bank reserves have been increased by that much, and the remaining banks thereby put into a better position to expand credit.

It was impossible to expect that all of the billion dollars of extra currency in circulation would be returned to the banks because hundreds of communities had been deprived of checking facilities through the suspension of thousands of banks in the past two years, tying up more than a billion dollars of deposits. But when the Reconstruction Corporation had reduced the rate of bank closings, when the Glass-Steagall Act put the Reserve System in a position to meet any conceivable increase in demand for currency at home or for gold abroad, and when the declining curve of currency in circulation showed that the morale of bank depositors had been strengthened, it then became possible and safe for the Reserve authorities to tackle the biggest problem of all—that of restoring the confidence of the member banks themselves and persuading them to start the process of credit expansion upon which recovery depends.

Then, Over the Top

At the end of February, when bank suspensions had been reduced to about a third of the number in January and currency in circulation was definitely declining, the Reserve Banks began buying government securities at the rate of about $25 millions a week. At the beginning of April they stepped up the rate of buying to about $100 millions a week, and by the end of the month they had added $450 millions to their holdings above what they were at the end of February. This much cash has been added to the reserves of the member banks in about two months. It is perhaps the most powerful dose of monetary medicine that has ever been applied to the strengthening of the banking system in a similar period of time.

Communiqués Show Gains

The effects are slowly becoming evident in the weekly statements of the member banks. Since the government securities are bought chiefly in New York the effects are naturally seen first and most clearly there. At the beginning of March the New York member banks had wholly paid off their borrowings from the Reserve Bank, and their reserves began to increase. The increase since then has amounted to nearly $200 millions, and probably half of this represents reserves in excess of requirements against deposits. By the end of March the deposits of the New York banks began to rise for the first time since the acute stage of the panic deflation set in last September. Their loans and investments stopped declining in the middle of April, are now rising.

In the banks outside New York a

What to Watch

These figures will be first to reflect the effects of the administration's war on depression. Encouraging changes are marked with a ★ (see page 39 for details)

Indicators	*1932*	*% Change in a Week*	*% Change in a Month*
These should be earliest to show progress:			
Money in Circulation	May 4	+0.9	—0.2*
90 Stocks (Standard Statistics)	May 5	—5.8	—15.7
40 Bonds (Dow Jones)	May 5	—2.7	—3.0
Broker.' Loans	May 4	+0.8★	—3.3
Member Bank Borrowings from Federal Reserve (Bills Discounted)	May 4	—4.9★	—20.4★
Federal Reserve Open Market Policy (Holdings of Government Securities and Acceptances)	May 4	+7.6★	+11.2★
Bank Suspensions — Number	Apr. 28e	+8.3	+8.3
U. S. Gold Stock	May 4	—0.5	—1.2
Member Bank Reserves	May 4	+1.6★	+10.6★
These signs should follow promptly:			
Total Loans and Investments of N. Y. C. Reporting Member Banks	May 4	+3.1★	+4.2★
Fisher's Wholesale Price Index	Apr. 29e	0★	—1.7
The Business Week Index	Apr. 30e	—0.7	+1.6★
Employment — Manufacturing (89 industries)	March	.....	—1.7

e—Week Ending

The Business Week

similar though slower rate of progress is traceable. Their borrowing from the Reserve Banks began to fall at the end of February. At the end of March their reserves started to rise. Early in April the first increase in deposits began to show itself. Loans and investments are still declining slowly, but the precipitous fall that has been going on during the past nine months has been checked.

Progress Is Evident

In the Reserve system as a whole definite progress of the battle against deflation has thus become evident during the past two months. Borrowings from the Reserve banks have been paid down, reserves increased, and deposits are piling up, under the powerful pressure of Federal Reserve open market operations. The stage is being set for expansion. Normally these tendencies would be followed by expansion of loans and investments. As deposits and reserves rise, banks would tend first to add to their holdings of high-grade bonds, stimulating the bond market. Beginning with the gilt-edge short-term government, state, and municipal issues, as the yield on these declined with rising prices the banks would go into the lower-grade long-term utility and industrial issues.

With general improvement in the bond market, flotation of new issues would begin to provide funds for construction that would work down into increased employment, larger consumer buying power, rising commodity prices and reviving business activity. Then increased demand for commercial loans would begin to appear and recovery would be under way.

Congress the Obstacle

This is the strategy of the crucial campaign upon which the Reserve system is engaged. The Goldsborough bill passed by the House this week would have Congress command the Federal Reserve authorities to win the battle, commit themselves permanently to the principles of this strategy and carry it out along this line till commodity prices are restored to the 1926 level. The Federal Reserve is already in the thick of the battle. How far it will or can press the attack depends upon the cooperation of the army of member banks behind it. This in turn depends upon the intangible factors of confidence among the rank and file of bank and business executives through whom the policy must be carried out. If, because of political and legislative uncertainties—fear of a bonus bill, an unbalanced budget, stock-market muckraking, a Glass bill—the banks are afraid to buy bonds and business men afraid to borrow, the Federal Reserve's big push may fail, and they are likely to abandon the attack by the end of May, dig in for a hard winter, conserve their ammunition and let events take their course.

Their First-Quarter Showing Beat 1931 Record

Company	Net Income 1932	Net Income 1931	Per Cent Increase over 1931
American Ice Co.	$86,104	$48,087	79.0
Atlantic Refining Co.	435,000	*d*2,162,800	*
Gillette Safety Razor Co.	1,714,049	1,421,770	20.5
Graham-Paige Motors Corp.	166,589	*d*178,523	*
International Business Machines Corp.	1,894,000	1,890,663	0.2
Libbey-Owens-Ford Glass Co.	44,231	*d*188,072	*
N. Y. Shipbuilding Corp.	230,305	*d*127,392	*
Public Service of Northern Illinois	2,423,243	2,040,571	18.7
Skelly Oil Co.	*d*278,629	*d*776,345	‡
Southern California Edison Co.	[1]4,241,502	[1]4,049,544	4.7

[1]Before depreciation d Deficit *Deficit to income ‡Smaller deficit

Standard Statistics

Bankers O. K. Glass Bill—If Its Teeth Are Pulled

THE American Bankers Association indorses the new Glass bill (*BW—Apr 20'32*)—if it can be rewritten and all its teeth pulled. The bankers condemned the original bill and first revision. They still say emphatically that no such legislation is necessary at the present time.

The association insists that Sec. 14, which prohibits member banks from participating in underwriting or distributing investment securities directly or through affiliates, would throw the investment business into the hands of organizations not responsible to the federal and state banking authorities. It is asserted that in past periods of depression, recovery has been stimulated through the refinancing of industry and commerce, with banks assisting greatly in the process.

Of course, the other side of the picture is that security affiliates in stock and bond transactions have severely accentuated financial and business fluctuations during the past decade. They rise to the forefront of activity in the capital market during booms because of their strong bank backing. In deflation periods, their large portfolios of depreciated securities make them an embarrassment to their sponsors.

The A.B.A. opposes separating security affiliates from member banks within 3 years, proposing that in lieu of this affiliates be made subject to proper supervision and regulation. Senator Glass has announced he will agree to change the period of dissolution to 5 years.

The association states that the provisions of Sec. 19, permitting state-wide branch banking and branches up to a distance of 50 miles beyond state lines, would create "a revolutionary situation in respect to banking." The association is "strongly opposed to any attempt to destroy the dual banking system, and both state and national systems should be strengthened." Senator Glass agreed to eliminate this section.

Referring to the regulations defining the use of credit facilities of the Federal Reserve banks, the A.B.A. declares the Federal Reserve Board has sufficient power at the present time. It believes the desired results can be obtained if provision is added requiring directors of a regional Reserve bank to inquire into uses of credit by members, reporting any misuses to the Reserve Board.

The Federal Liquidating Corp. is approved, but the recommendation is made that member banks should not be further burdened by being required to make subscriptions out of capital. The A.B.A. wants this section changed, as suggested by Governor Meyer, so that capital will be furnished by the Treasury, or by the Treasury and the Federal Reserve banks. The author of the bill is obdurate on the point, however.

First-Quarter Earnings Reflect Low Ebb of Business Activity

Some railroads improve showing, due to wage cuts; industrials earn 1% on net worth

QUARTERLY reports for the initial 1932 period give striking evidence of further drastic reduction in net earnings of representative American corporations in the third year of depression.

The first 202 companies to report to Standard Statistics indicate a drop in earnings of 56.1% below the level of the first quarter a year ago, itself none too prosperous a period. Total net income was $88 millions, as compared with $201 millions during the first quarter of 1931. Yet some of these first 202 companies (listed on the opposite page) did better than in the first quarter of 1931.

The breakdown by industries is set forth in an accompanying table. Industrials suffered most, railroads were next, and utilities were cut relatively little. The leading utility, A. T. & T., held up considerably better than industrial and rail companies, but not as well as the average utility.

Net income of 164 industrial companies in the first three months was only $21 millions, as compared with $109 millions for the identical concerns in the same period last year, a decline of 80.3%. Excluding General Motors and Steel, the earnings decline is narrowed to 65.8%, but Standard Statistics indicates "this total clearly points to complete results of all industrial earnings performance for the period totaling less than half the 1931 results."

On net worth, industrials earned less than 1%.

A 4-year earnings comparison for 135 identical industrials shows aggregate 1932 first quarter net of $1.9 millions, as compared with $101 millions in 1931; $232 millions in 1930; and $294 millions in 1929. Earnings, therefore, have declined more than 99% compared with the first quarter of 1929.

Net income of 17 utility concerns dropped only 14% under the same quarter last year. The 16 left after excluding A. T. & T. show a decline of only 13.2%.

The net of 21 identical railroads for the 1931 first quarter was $8.8 millions in contrast with a deficit of over $5 millions for the same period this year. As a result of the savings in wages, some railroad companies are now showing a higher ratio of net income to gross, but the shrinkage in both is pronounced.

Deficits for 9 Out of 26

While adequate representation by individual industrial groups is not yet available, it is significant that net deficits have occurred in 9 out of 26 groups.

It appears that the relatively better showing was made by aircraft, advertising, chemicals, food products, medicines, drugs, and office equipment.

Groups reporting actual deficits include building, coal, household products, leather and shoes, machinery, metals, oils, textiles, steel and iron.

The figures show the profit decline has been the heaviest in the heaviest industries and those most directly concerned with raw commodities; lightest on food products, chemicals, office equipment, services, and utilities.

First Quarter Earnings by Industries

Number of Companies	Group	(000 omitted) 1932	1931	Per Cent Change
4	Advertising, Printing, Publishing	$2,995	$4,983	—39.9
1	Aircraft	44	*d*98	*
11	Automobiles and Trucks	5,456	29,059	—81.2
10	—Excluding General Motors	*d*4,237	60	†
14	Auto Parts and Tires	368	4,629	—92.0
7	Building	*d*140	2,475	†
11	Chemicals and Fertilizer	15,060	22,442	—32.9
5	Coal	*d*577	511	†
5	Electrical Equipment and Radio	2,899	7,846	—63.0
18	Food Products	21,092	27,617	.....
4	Household Products	*d*15	92	†
2	Leather and Shoes	*d*169	*d*513	‡
10	Machinery	*d*2,173	1,313	†
2	Medicines, Drugs	1,662	2,444	—32.0
5	Metals	*d*249	642	†
11	Miscellaneous	3,525	4,373	—19.4
4	Office and Business Equipment	1,690	2,316	—27.0
12	Oil	*d*3,678	*d*1,299	§
4	Paper	25	842	—97.0
3	Railroad Equipment	304	1,092	—72.2
6	Retail Trade	602	1,454	—58.6
1	Shipping	230	*d*127	*
16	Steel and Iron	*d*27,725	7,115	†
15	—Excluding U. S. Steel	*d*14,506	350	†
5	Textiles	*d*289	69	†
1	Theaters	18	90	—80.0
2	Tobacco	226	503	—55.1
164	Total Industrials	$21,345	$108,570	—80.3
162	—Excluding U. S. Steel and General Motors	24,871	72,806	—65.8
21	Railroads	*d*5,089	8,866	†
17	Total Utilities	$72,212	$84,045	—14.0
16	—Excluding A. T. & T.	33,513	38,604	—13.2
202	Total Corporations	$88,468	$201,481	—56.1

d. Deficit

* Deficit to income. † Income to deficit. ‡ Smaller deficit. § Larger deficit.

Standard Statistics.

Low Prices Sell Meat But Butter No Profits

Low prices are stimulating meat consumption. Since the beginning of the packers' fiscal year, Nov. 1, every month has shown a tonnage increase in consumption over the same month of a year ago. Government figures over a year show a moderate decline of meat in storage.

Though hog prices are at lowest levels of the century, still lower ones seem likely; 3 million more hogs will come to market in May than in the same month last year.

Veal is a drug on the market. But-

ter prices are so low that farmers are vealing female as well as male calves, instead of keeping them to build up milk herds. The surplus of veal, therefore, forecasts diminished supply of milk and butter later on.

Packers' by-product income has fallen off much more sharply than income from sale of meat. Three years ago an average steer, 1,088 pounds, meant over $17 by-product income. Now the same steer, costing about half as much, yields around $5 on by-products.

A typical steer, for which packers pay now about $80, is 7% hide. Add to 7% of $80 the $2 cost of handling and curing, and the hide stands the packer $7.60. It now sells cured for 4¢ a pound, about one-third cost. As for bull-hides, the story is sadder still. "We wish we could get bulls without hides," a packer states.

No New Markets

Though research is under way, no new markets of consequence for leather have been developed. Packers still have to depend largely on the shoe industry. More and more, this means shoes for males. Women's shoes tend to use less and less leather.

Lamb and sheep by-products have slumped most sharply, from $4 a head to around 50¢ in 3 years. Hog by-products are of little importance, amounting only to 35¢ a head in 1929.

But no livestock market has yet reached the point where a farmer cannot sell for cash whatever stock he brings in and get his check the same day. The point of resistance comes not from refusal of the market to buy but from prices' falling so low that the check the farmer gets will not pay freight to market. This has happened within the past year in the case of old ewes and canner cows. Farmers saved money by letting them die on the range, saved still more by shooting them and so stopping their eating.

One Big Advantage

But with all his difficulties, the livestock farmer has one big advantage over the cotton, wheat, and tobacco man. He is on a current basis. Last year's crop is not hanging over the market. His commodity is such that, except for some carrying over of cured meats, it cannot be hoarded. He takes his punishment as he goes along, keeps in fairly clean condition, and is therefore prepared to enjoy promptly any turn for the better, when such comes. Others who operate on a cash basis in time of depression have the same advantage, disagreeable as it may seem to be when things are low.

Supreme Court Leaves Packers "Where They Agreed to Stay"

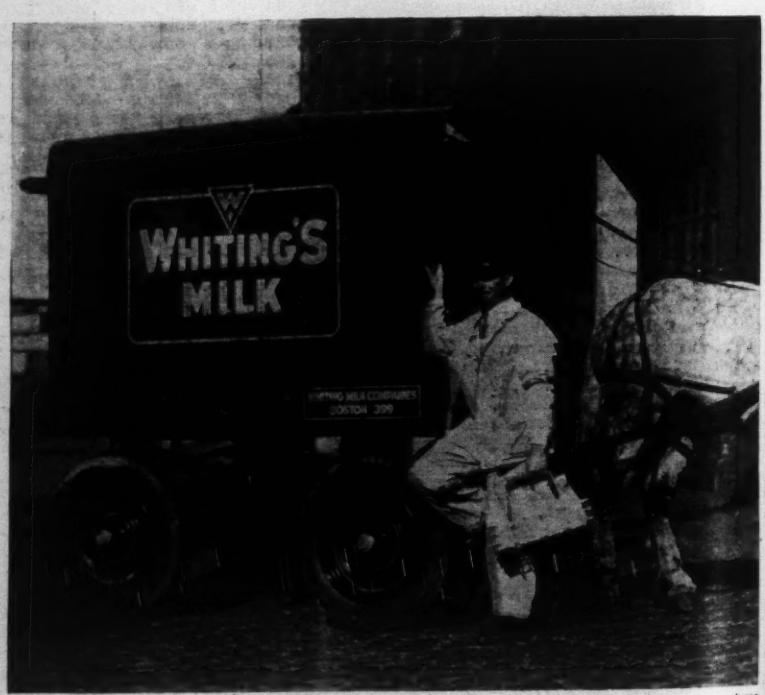
Balked of release from consent decree, they are expected to link up with some of the big chains

THE Supreme Court of the United States has upheld the famous packers' consent decree of 1920 in a 4 to 2 decision, which not merely nullifies the modifications that were granted by Justice Jennings Bailey of the Supreme Court of the District of Columbia (*BW —Jan14'31*) but also sound a distinct note of warning that the court expects the packers to comply with the provisions of the decree thus re-confirmed.

Entered into in 1920 as virtually a contract between the United States government and 135 defendants representing the 5 big packing houses—Swift, Armour, Cudahy, Wilson, and Morris —the decree enjoined the packers from maintaining a monopoly, holding interests in public stock yards, cold storage plants, terminal railroads, market newspapers; dealing in food products unrelated to the meat packing industry; permitting others to use their distributing facilities; retailing meats, milk, etc.

The proceedings leading up to the present decision represent the packers' third attempt to have the decree modified or set aside. Less than 5 years after it had become a matter of record Swift and Armour filed motions to have it vacated as invalid. This motion was denied in a decision Mar. 19, 1928, which held the decree valid in all respects. A year later it again was before the court in the case of United States vs. California Cooperative Canneries when the suspension of the operation of the decree by a lower court was reversed. The latest proceedings were instituted in April, 1930, when Swift & Co. and Armour & Co. filed petitions which in January, 1931, resulted in a modifying decree by Justice Bailey.

Appeal from that decision by the government, the National Wholesale Grocers' Association, and the American Wholesale Grocers Association resulted in its reversal and the recording of an opinion which is expected to have far-reaching consequences, particularly in its effect upon the enforcement of other consent decrees.



Acme

SLEEP SAVER—*This silent milkman is one of the first in Boston. Wagons now have pneumatic tires, but are still powered with 1 h.p. hay burners*

The packers had claimed that general conditions had so changed as to justify modification; that they no longer constituted a threat of monopoly; that they should, therefore, be permitted to extend their manufacturing and wholesaling activities into other than meat and allied products. (Justice Bailey's modification left the ban on packer retailing.)

Not "Hearty" Consent

In its answer the government said that since the decree was entered the packers have avoided complete compliance with the provisions of the decree; that Armour has continued to wholesale unrelated lines to a total of over $63 millions annually during the 3 years 1927-29; that Swift still owns about 60% of the voting stock of Libby, McNeill & Libby, a meat, fruit, and vegetable canning concern, and continues to have extensive stock holdings in stockyards companies, etc.

The 2 intervening wholesale grocers' associations stressed the effect of any modification upon independent enterprise in the food field, claimed that it would serve to destroy the business of small independent canners, manufacturers, wholesalers, and retailers, because such concerns could not hope to withstand the competition of the packers with their vast resources and potential power to destroy.

Arguments before the U. S. Supreme Court were delayed for several days awaiting Senate approval of the appointment of Justice Cardozo. It was felt desirable to await his confirmation because Chief Justice Hughes and Justices Stone and Sutherland were not participating, due to previous connections with the packers' case as attorneys either for the government or for the defendants, and this left only 5 justices available.

Just Too Big to Trust

Handed down by Justice Cardozo, the opinion states in exceedingly crisp language the reasons why modification or reversal of the original decree is not warranted; holds that the packers' low overhead and gigantic size—even if they are viewed as separate units—would still put them in position to starve out weaker rivals; states incidentally that, even since issuance of the decree left the packers dealing in meats alone, unfair practices on their part have not been unknown.

Laconically, Justice Cardozo stated that the court had decided to leave the defendants where they found them, "especially when the place we found them is where they agreed to stay."

Unless a rehearing is applied for and granted the Supreme Court will issue a mandate to the court of Justice Bailey to issue an order for dismissal of the packers' petition.

It is expected that, themselves unable to engage in the various activities so anxiously desired, the packers will speedily work into much more closely-knit arrangements with some of the large corporate chains. These in substance represent the type of distributing mechanisms that can most effectively provide volume distribution for the packers' products.

Meanwhile independent manufacturers, wholesalers, and retailers in the food field are relieved to know that they are not to be exposed to competitive attack from a corporate aggregation of capital far exceeding that of even the largest chain organization.

Swift & Co. is evidently not greatly disturbed over the fact that once more it has been denied the desired freedom. In a reassuring notice to stockholders, mailed immediately upon the announcement of the decision, it states that the ruling will have no appreciable effect on current operations, that it leaves the company in the same position to serve its trade as heretofore, that even though dollar sales volume is 20% under the same period last year, while tonnage is 5% greater, operations for the first 6 months of the current fiscal year are substantially better than for the same period last year.

Poor Crop Prospects Inspire Early Forecasts of Price Rise

Great staples and canning specialties alike promise shortages due to weather and pests

CROP prospects, both for the great staples and for the canning specialties, are poor. Some experienced observers already are forecasting higher prices.

Officials of large corporations which are heavy users of wheat, corn, barley and cotton and have trained economists watching the market trends confidentially advise *The Business Week* that they are quietly filling warehouse space with these commodities bought at present prices.

Higher farm prices based on crop failures might or might not help farmers in general; probably short crops would help farmers in lucky areas, ruin the rest. But the rise would help wipe out carry-overs, would help dealers, canners, and bankers who are financing these surpluses.

Preliminary reports on 1932 plantings indicate that acreage ranges from 10% reduction on some crops to 30% on others. There have been increases in isolated cases for specific reasons. Probable yield has already been seriously reduced by weather conditions.

Winter wheat acreage was cut, so that on Apr. 1 anticipated production stood at 458 million bu. against 787 million bu. produced in 1931 and the 1924-28 average of 551 million. Since then, the effects of seeding in dry ground, with dry sub-surface, have become apparent. Severe cuts in production are forecast with crop failure in some territories if the remainder of the growing season does not produce more than average rainfall. In the Texas Panhandle, the crop has suffered from the severest sandstorms in a decade, is in some sections reported cut in half. In the great wheat-growing states of the Northwest, seeding has been delayed by unseasonably cold weather, with detrimental effects on yield.

The Canadian wheat crop, cut in acreage, is likely to be reduced substantially by extreme lack of sub-soil moisture over the greater portion of the wheat-growing area. On Apr. 1 the total supply of wheat available for export in the 4 important wheat exporting countries, United States, Canada, Argentina, and Australia was 55 million bu. less than a year ago.

Cotton acreage is not yet accurately ascertained, but preliminary figures show that the total is down 5% to 10% with a considerable portion of acreage, originally intended for cotton, not yet planted. In Southeastern states, where farmers are short of food and feed and are also skeptical about possible returns on cotton, acreage has been cut materially. Texas and Oklahoma acreage has been reduced, due to unfavorable, extremely dry weather, lack of credit with which to finance crops, unwillingness to take the risk. Nearly

Keystone

YOUNG OLD TIMERS—*Edmund J. Copeland, one of the pioneers of an industry still "under 21," and his first automatic electric refrigerator*

half of the $5-million federal seed loan fund available to the Texas, New Mexico, and Arizona district remains idle for lack of applicants. Many Texas farmers are using former cotton acreage to grow Bermuda onions for which a ready market exists at prices 4 times greater than a year ago, due to a general shortage.

Besides all this, a mild winter has favored the development of the boll weevil, which is reported appearing in great numbers. Farmers for lack of cash are likely to make less effort to stop the pest.

Potato Carry-Over

Carry-over of 112 million bu. of potatoes, compared to 82 millions a year ago, is expected to cut acreage sharply. April 1, anticipated production of early Irish potatoes in 12 states was 62.8% compared with 80% a year ago and the 1920-30 average of 81.9%.

Particularly significant as a factor pointing toward higher prices is the situation in the canning industry. Heavy stocks are being carried over from previous seasons, but the 1932 pack on some items may prove to be extremely small. Some packers are unable to finance crops because their money is still tied up in stock on hand. Others, normally depending on outside financing, are unable to raise money for buying fertilizer or for proper cultivation. They have in some instances cut acreage drastically, in others have contracted for the same acreage but with 50% less fertilizer, or in many cases, none, so that their crops will be reduced far below normal, and are likely to be of very poor quality.

Campbell Raises Prices

Foreseeing just such a condition, Campbell Soup Co., to protect the quality of its canned products and be assured of an ample and satisfactory supply, has advanced the contract price $2.00 per ton, which will permit growers to use the usual amount of fertilizer to produce the Campbell crop.

Those in intimate contact with the canning industry declare that, with severe cuts in acreage and drastic reductions in fertilizer, even perfect weather cannot bring the 1932 pack on some items up to the necessary minimum, that therefore higher prices and in some cases actual shortage may develop.

There is a general curtailment of fertilizer buying. Current figures show reductions of 30% to 60% in sales in some territories, and total imports of all types of fertilizer materials during the first 3 months of 1932 were 50% under the same period 1931.

December–April fertilizer sales in 5 cotton states—Alabama, Louisiana, Mississippi, North Carolina, and South Carolina—totaled 1,304,000 short tons compared with 2,099,000 for the same period a year ago, 2,986,000 two years ago.

The theory that pests will materially reduce the 1932 yield of various crops has considerable foundation. Many insects that would perish during the average winter have survived the mild 1931-32 season. Cutworms are reported exceptionally active. The cinch bug and Hessian fly are reported on the increase in the Central states, where earworm and corn borer are also invading new territory.

In the tobacco territories of Virginia, North and South Carolina, the seed beds have been severely damaged by blue mold, the shortage in seedlings forecasting a substantial cut in acreage.

In the Central Northwestern states, Minnesota, North and South Dakota and Montana, a grasshopper invasion is so definitely in prospect that the conference committee of the Senate and the House has approved an added appropriation of $1,450,000 for grasshopper control.

Postal Telegraph Company To Sell Electric Clocks

WITH the organization of Postal Telegraph Sales Co. to sell electric clocks, the Postal System prepares to cash in on latent good will accumulated through years of service sales.

Postal has been exploring new fields for some time (*BW—Sep16'31*). Up to now, however, it has confined itself to those which directly or indirectly produced new business for its wires, its messenger service.

The theater ticket service has gained thousands of steady customers. The more recently established airplane transportation service now handles a formidable volume of tickets; and all departments have gained through the multiplied consumer contacts established at over 10,000 service stations of the Standard Oil Co. of N. J.

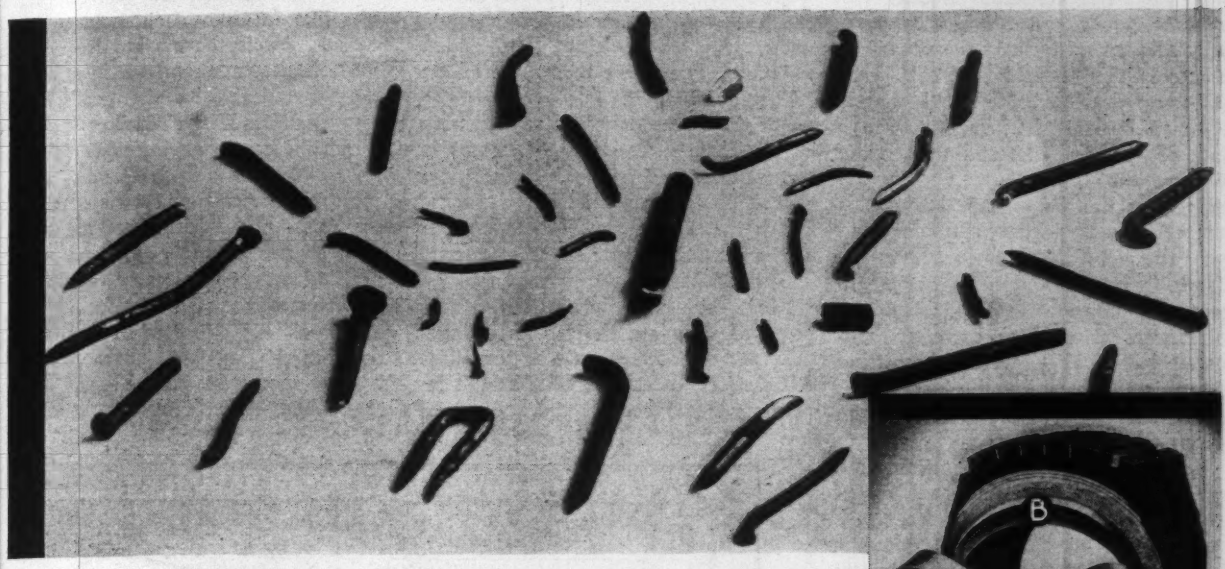
The clocks are made by the Hammond Clock Co., are specially designed for stores and offices, come in 2 sizes, a variety of finishes and colors.

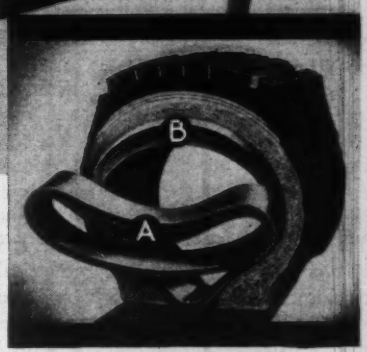
Telegraph-office managers will be allowed to sell the clocks, but a separate staff of commission salesmen will be depended on to build volume sales.

It is considered not unlikely that other appliances may be added, to extend the opportunities and usefulness of the sales division.

42 nails

and the tire *didn't* go flat!





HOW can a tire pick up forty-two nails, screws, etc., travel 15,000 miles, and never lose a pound of air?

Ask Mr. J. A. Sanford, Manager of The Ohio Match Company, Spokane, Washington. In his opinion every one of the 42 "penetrators" pictured above would have meant a "flat" if the tire from which they were removed hadn't been equipped with Goodrich Air Containers.

". . . the tire was still giving service without loss of air pressure," he writes, "when your salesman called on us and, in company with our garage mechanic, noticed several of these nails in the casing. Your salesman suggested that the nails be extracted. The tires and Air Containers had already run 15,000 miles!"

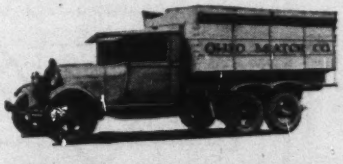
"Our trucks deliver block wood in alleys and unimproved streets. Without the protection of Goodrich Air Containers we would have many flat tires."

Goodrich Air Containers have enabled hundreds of truck operators, in every line of business, to cut costs—increase trucking efficiency. Get the facts about them from your nearest Goodrich Distributor now. Phone him. Look under "Tires" in the classified directory.

. . .

The B. F. Goodrich Rubber Co., Est. 1870, Akron, Ohio. Pacific Goodrich Rubber Co., Los Angeles, Calif. In Canada: Canadian Goodrich Co., Ltd., Kitchener, Ont. The International B. F. Goodrich Corporation (Export).

THE OHIO MATCH COMPANY has found the unbeatable combination — Goodrich Tires and Goodrich Air Containers.



Air Containers add
9 vital points
to truck-tire performance

THEY seal punctures on running wheels . . . Add 25%-35% more tire mileage . . . Maintain air pressure . . . Reduce tire care . . . Reduce blow-out hazards . . . Outlast the tire — often several . . . Strengthen the tire . . . Reduce road shock — give increased cushion . . .

In above illustration (A) shows cross section uninflated. (B) inflated. The patented cord insert is the secret of the Air Containers' ability to seal punctures *permanently.*

Goodrich Air Containers

Another B. F. Goodrich Product

Copyright, 1932, The B. F. Goodrich Rubber Company

32,000 rubber articles . Goodrich Silvertowns . Zippers . Rubber Footwear . Drug Sundries . Soles . Heels . Hose . Belting . Packing . Molded Goods.

The American Consumer Market —A Study by The Business Week

3. Increase in leisure more important than style appeal in changing consumer spending

THE American consumer market for domestic goods and services commercially sold, as set forth in the preceding articles in this series, has several other distinctive features of general significance to business besides the relative shift of consumer demand toward the consumption of services during the years since the war. Since business is compelled to be increasingly concerned with the continuity of consumer demand, it becomes more important to know not only that demand is shifting to services which are currently consumed, but to what extent it is shifting to services for which the demand is elastic, and to goods which have a high replacement rate.

Before the broad classifications and individual items in the national budget are examined in later articles, it is worth while to analyze the domestic consumer market for goods and services still farther from this point of view. This is done in the tables and charts in this article, in which the domestically-consumed, commercially-sold goods and services (that is, excluding savings, payments to government, expenditures for social activities, and foreign expenditures) are split up into the general classes of services and into durable and non-durable goods.

A Meaningless Quibble

Obviously several factors affect the relative expenditure on these different classes. First is the style or consumer-custom factor, which applies to all classes, but in differing degree. This involves the interminable quibble about luxury goods vs. necessities which there is no use debating because it has long since ceased to have any meaning. It is no longer possible to make any significant classifications of consumption on this basis, or to attempt to make any distinctions between items affected by the style factor and others. All elements in the living standard come under its influence in some measure, partly as a result of the creative force of advertising in remoulding consumer habits.

As will be seen in a later article, a striking example of the difficulty in isolating the influence of style is the clothing item, which is obviously dominated by the style factor yet has shown practically no change in the absolute amount spent on it since 1919 and a relative decline in the percentage of the budget going to it.

For these reasons it has seemed both impracticable and useless to attempt to segregate in the national budget anything that can safely be called, to use Lough's term, the "area of caprice," or the items subject particularly to style influence.

Much more useful from the business point of view are the factors of elasticity and replacement rate or durability. All services, of course, have a high replacement rate because they cannot be saved up; but they may be classified roughly according to elasticity of demand; that is, as to how readily they may be dropped out of the budget or cut down.

As for commodities or goods, it is obviously the durability or frequency of replacement that is the important factor in the continuity of the market. Some goods, like food, stand close to services in the rate of replacement; others like furniture, household equipment and jewelry have a low frequency if not obsolescence, and are in a sense consumer outlays for capital goods.

Still a Huge Market

From the accompanying table (Table 1) it is obvious that merchandise with a high replacement rate accounts for the bulk (almost two-thirds) of the total consumer market for goods and services; and services currently consumed, next in importance, account for about a quarter of it. These two groups of expenditures together cover almost 90% of domestic purchases of consumer goods and services commercially

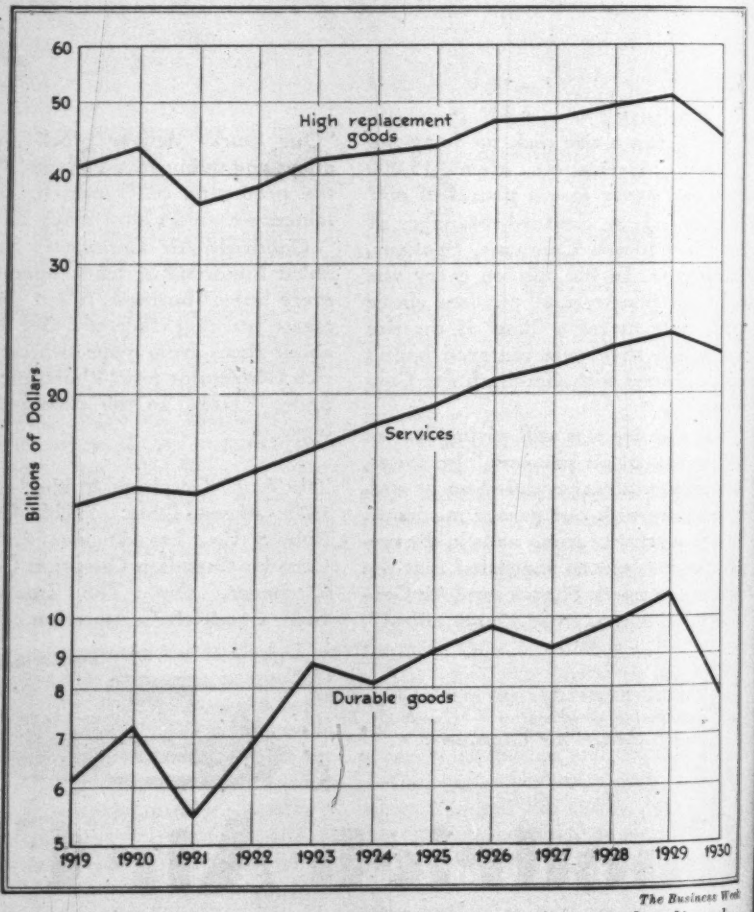
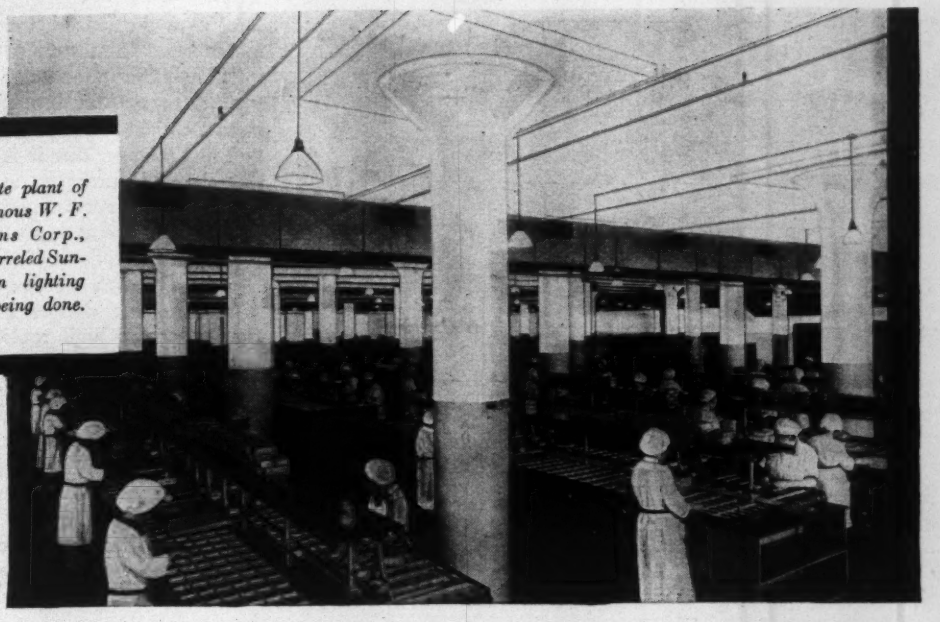


CHART I: *Expenditures of American consumers for merchandise they use up currently—as food and clothing—have increased little in comparison with those for services, household equipment, automobiles, etc.*



In the immaculate plant of the nationally famous W. F. Schrafft & Sons Corp., Boston, Mass., Barreled Sunlight and modern lighting speed the work being done.

"'Saving' on light and paint usually means *wasting profits*"

says SAMUEL G. HIBBEN

Manager, Commercial Engineering Dept., Westinghouse Lamp Co., Bloomfield, N. J.

TODAY, when business-getting means writing quotations with a needle-sharp pencil, no industrial executive can safely ignore Mr. Hibben's statement. He continues:

"While cutting out every non-profit producing expense is a vital obligation of good management, any attempt to 'save' by skimping on such absolute production essentials as good lighting equipment and clean, light-colored interiors defeats itself.

"Good lighting contributes to swift, accurate production — minimizes spoilage — reduces accident hazards — facilitates inspection — insures a better product at a lower unit cost.

"Modern lighting equipment and bright interiors that reflect and diffuse light are essential.

"WALLS GRAY WITH DIRT . . . YELLOW WITH AGE . . . REFLECT ONLY 15 TO 20% OF THE LIGHT THAT STRIKES THEM! With ceilings and walls painted a clean, lasting white, you can often raise the illumination 50 to 100%. That spells comfortable, accurate seeing ability, and increased production economy."

The leading industrial interior paint for over a quarter of a century, Barreled Sunlight plays a vitally important rôle in the modern, scientifically lighted plant.

Barreled Sunlight Remains White Longest

The smooth, non-porous surface of Barreled Sunlight is guaranteed to remain white longer than any other oil gloss paint or enamel applied under the same conditions. (See full guarantee at the right.)

Used with any lighting equipment, it delivers more working light, for a longer period of time, at a lower cost, than any other oil gloss paint.

The booklet, "More Light with Lasting Cleanliness," contains more detailed information about Barreled Sunlight. Write for it to the U. S. Gutta Percha Paint Company, 1-E Dudley Street, Providence, R. I. Branches or distributors in all principal cities. (For the Pacific Coast, W. P. Fuller & Co.)

GUARANTEE — *Barreled Sunlight, the Rice Process White, is guaranteed to remain white longer than any oil gloss paint or enamel, domestic or foreign, applied under the same conditions and according to our specifications. If it does not do so, we will give, free, enough Barreled Sunlight to repaint the job.*

Barreled Sunlight

Reg. U. S. Pat. Off.

***Remains White . . . Reflects Light . . .* LONGEST**

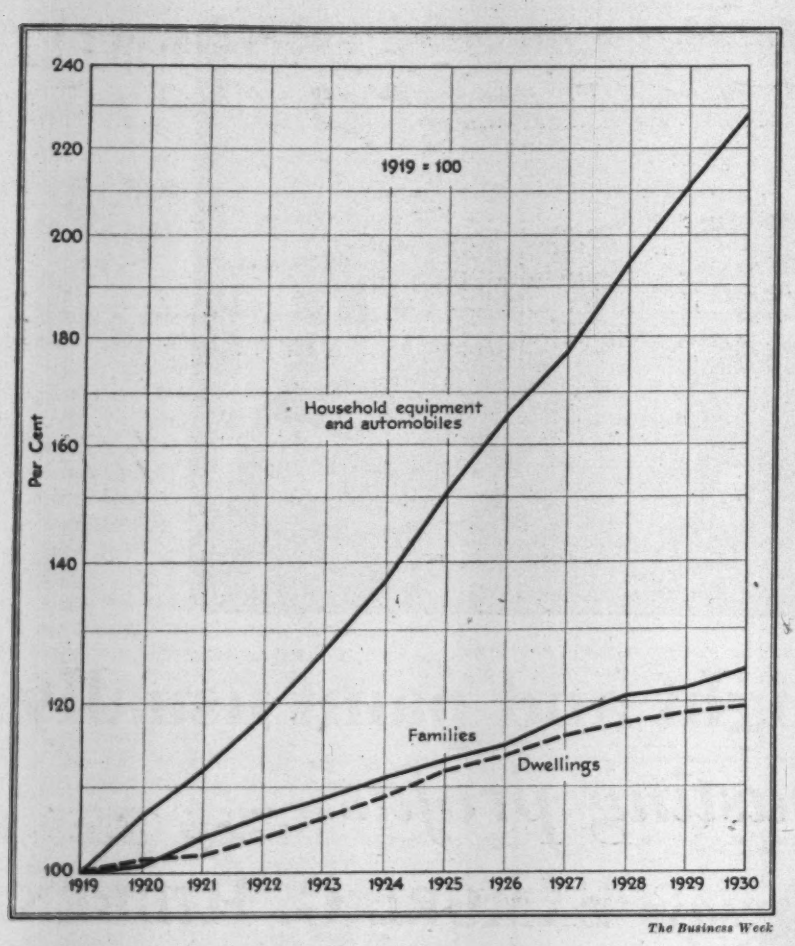


CHART II: *Relative rates of increase in number of units of standard equipment, number of families, and dwellings*

sold, and the durable or low replacement goods only about 10% through this period.

The most striking fact shown in these figures is the practically steady decline in the proportion of high-replacement goods purchased, from 66.6% of the total market in 1919 to 60% in 1930, with only a slight increase from 1929 to 1930.

The proportion of expenditures on durable goods has remained almost constant over the period, except for a rise in the years from 1923 to 1926, reflecting chiefly the influence of increased expenditures on housing and household equipment accompanying the residential building boom. But it is striking that this class of purchases, in actual value, has increased over the period as a whole at as high a rate as services, though subject to sharper fluctuations.

Growth of Services

The relative decline in the proportion spent for high replacement goods has been compensated almost wholly by a corresponding rise in the proportion of expenditure for services, rising from 23.3% of the total in 1919 to 29.7% in 1930, and increasing even in the first year of depression, 1929-30. In short, it is clear that the consumer market for business is today not only less a merchandise market and more a service market than it was 12 years ago, but even in the merchandise market the high replacement goods apparently have not been holding their share of the consumer's dollar.

This would suggest that the style factor in the merchandise field is not as important in expanding the volume of consumption as has been supposed. The most powerful influence in shifting the distribution of the consumer dollar during these 12 years was probably that of leisure, or the demand for it, accompanying increased purchasing power which permitted expansion in consumption of services. The more elastic kinds of services dependent upon surplus purchasing power, and those which involve the use of leisure, have grown most rapidly.

This is seen from the accompanying table and chart (Table 1, Chart I), in the striking fact that the proportion of

Table 1: Proportion of Consumer Dollar Going for Types of Commercially-Sold Domestic Goods and Services

	1919 %	*1920* %	*1921* %	*1922* %	*1923* %	*1924* %	*1925* %	*1926* %	*1927* %	*1928* %	*1929* %	*1930* %
Services												
Household	8.16	7.90	8.74	8.22	7.71	7.90	8.01	7.93	8.12	8.14	8.00	7.50
Utilities	5.11	4.95	5.53	5.37	5.10	5.11	5.01	4.80	4.72	4.47	4.40	4.84
Private transportation	.53	.59	.80	.86	.96	1.08	1.17	1.20	1.24	1.24	1.30	1.48
Health	1.90	1.96	2.50	2.50	2.42	2.57	2.62	2.71	2.86	2.98	3.06	3.20
Education	.54	.56	.65	.70	.70	.76	.80	.85	.90	.97	1.02	1.08
Financial	2.64	2.34	2.67	2.66	2.61	2.82	3.01	2.96	3.24	3.37	3.59	3.81
Personal	3.35	3.38	3.84	3.73	3.60	3.80	3.90	4.03	4.20	4.40	4.48	4.96
Recreation	1.08	1.18	1.30	1.49	1.53	1.67	1.91	2.27	2.73	2.69	2.86	2.88
Total	23.31	22.86	26.03	25.53	24.63	25.71	26.43	26.75	28.01	28.26	28.71	29.75
High Replacement Goods	66.61	66.20	64.35	63.22	62.67	62.40	61.01	60.81	60.27	60.05	58.93	59.95
Durable Goods	10.08	10.94	9.62	11.25	12.70	11.89	12.56	12.44	11.72	11.69	12.36	10.30
GRAND TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Table 2: Equipment in Use

Items	1919 (000 omitted)	1930 (000 omitted)
Radios	50	12,078
Autos (private passenger cars)	5,417	18,434
Sewing machines	21,648	23,684
Pianos	6,013	8,674
Ice boxes	9,621	11,790
Mechanical refrigerators	4	2,625
Gas ranges	8,449	14,055
Electric ranges	21	1,020
" cookers	2	1,175*
" percolators	1,470	6,280
" toasters	917	8,190
" washing machines	435	7,360
" irons	11,860	19,600
" heaters	187	3,400
" vacuum cleaners	970	9,086
" fans	575	6,200
Fuel-oil burners	7	635

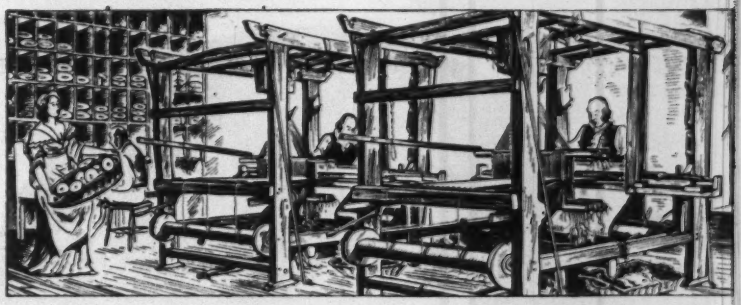
*1929

consumer dollar going for household services and for utilities (rent, laundry work, storage, moving expenditure, domestic servants, electricity, water, telephone, and common carrier transportation) has on the whole declined or at best remained stationary, while private transportation (the automobile), health, education, personal services, and recreational expenditures have shown a rapidly rising share in the national budget.

The rather rapid increase in total consumer expenditures for durable goods is reflected in the fact that the number of units of standard equipment in use in homes and otherwise has steadily and in some cases rapidly increased during this period, so that there is no apparent sign of a physical saturation point in the consumption figures for this class of goods as a whole over the twelve years. Table 2 and Chart II show the growth in the number of units of equipment in use.

"Horrible Example" Shows Remodeling Possibilities

To stimulate interest in the home modernization campaign being sponsored by the Department of Commerce, a practical demonstration of what can be done with an old house is being made in Lawrence, Kan. A 25-year old house of uncertain architecture, unoccupied for many years, is to be remodeled under the auspices of the local building trades council. The public is invited to watch the operation.



Weaving the pattern of AN INDUSTRY

On Manhattan Island, 132 years ago, there was a mere handful of looms for weaving textiles. Today the textile and apparel industry not only ranks first in New York but spreads over great areas in New England and the South.

It is hard to believe that one institution should have been in touch with this entire development. Yet that is exactly the case.

At the turn of the nineteenth century the great New York merchants among the directors of The Manhattan Company were interested in a movement to establish "manufactories" to weave "fustians, calicoes, nankinettes, dimities, etc."

Today the Bank of Manhattan Trust Company through its widespread contacts is one of the leading financial institutions in the movement of cotton from the bale to the backs of men, women and children all over the world.

* * * *

This institution's past is linked close to the colorful history of the nation. Out of that past has come experience to meet present problems—and courage to look ahead.

BANK OF MANHATTAN TRUST COMPANY

Capital, Surplus and Undivided Profits over $66,000,000

A UNIT OF THE MANHATTAN COMPANY

MAIN OFFICE: 40 WALL STREET, NEW YORK, N. Y.

HEAT-TIRED • • •
from steam that costs you money

Your plant is probably heated by reliable unit heaters. These heaters are undoubtedly monitored by some control apparatus. But, unless this control is the new Fulton Sylphon Control, recently developed, a short visit to your plant will show:

Employees trying to labor under recurring blasts of smothering hot air. Arid blasts that come on and off and on and off all day long, until employee efficiency is nil. Unit heaters that have only fan control attempt to regulate temperature by constantly stopping and starting the fans. When they stop, heat rises to the ceiling, is wasted. When they start, superheated air is blown down upon helpless workers. Doubly wasteful, isn't it?

The new Sylphon No. 9-S Regulator corrects this condition both by throttling the steam and controlling the fans. Steam never flows through idle heaters. Fans are never shut off unless the throttling steam valve alone cannot cope with radical temperature changes. Fan on-and-off cycles are infrequent. Working areas are provided with healthful, modulated heat of proper temperature, regardless of outside weather conditions or room exposure. Steam savings alone soon pay for the installation. Write for Bulletin JW-540 giving complete details.

FULTON SYLPHON CO.
KNOXVILLE TENN., U.S.A.

European Representatives, Crosby Valve and Eng. Co., Ltd., 41-2 Foley St., London, W. 1, Eng.; Canadian Representatives, Darling Bros., Ltd., 140 Prince St., Montreal, Quebec, Canada.

Representatives in All Principal Cities in U. S. A.

FULTON Sylphon FOR TEMPERATURE CONTROL

New Packaging Helps Merchandise Roses

THE flowers that bloom in the spring (tra-la!) have much to do with the case of the recently devised Fertil Pot, a new merchandising idea in an industry which develops few. It is a container made air- and moisture-tight with asphalt. In it the roots of the plant are packed tight with moss and concentrated fertilizer. Advantages are many. Instead of being delivered to the buyer in a dormant state from which they must be coaxed into life and bloom, plants in the Fertil Pot are growing when purchased. Flowers so packed will bloom indoors or on roof terraces—a feature which extends sale possibilities in every city. The new pack makes a clean container easily stored and handled.

Needs No Fertilizer

First application of the idea is credited to the Perkins nursery, Newark, N. Y. It was originally developed for roses. Planted this way, roses will blossom three weeks sooner than if sold with roots bare. Special preparation of the bed becomes unnecessary. You simply cut the bottom out of the Fertil Pot and put it in the ground. The fertilizer about the roots gives the plant its needed start. Cost, retail, is around 94¢ for a bush that would sell at 31¢ dormant. Last year the idea was in the experimental stage; this year it becomes a real market stimulant. It is being extended to shrubs and perennials.

R. H. Macy & Co., New York department store, expects the metropolitan district to seek surcease from its troubles and fortification for its cupboards, in more gardening. Instead of mere displays of the plants, they have this year added advisory experts who show how gardens should be laid out.

Hot Beds, Cold Frames

The store cashes in by selling complete assortments of plants. Among the novelties is an electric bed warmer—lead covered wires which heat the earth for tender plants in cold frames. Also there is a depression-priced cold frame with wire mesh and cellophane instead of glass. Size, 54 by 28 inches. Retail price $5.44.

Macy also becomes U. S. agent for Sutton, English flower and vegetable seedmen who "by appointment" serve His Majesty. Packs of Sutton seeds run from 12¢ to 59¢, against 12¢ for less aristocratic domestic seeds. Persons doubting their superiority are invited to gaze upon the portrait of an Ailsa Craig onion which attained a 4-lb. magnificence—without regal encouragement.

Farmers, Not So Particular Now, Endorse 3 Brands of Relief

Congress, if it does anything, will probably do likewise, leaving choice to Farm Board

IF the Senate Agricultural Committee entertained any hope that it would be spared action at this time on farm relief legislation through inability of the farm groups to agree upon any one plan, it was disillusioned when the 3 national farm organizations decided to be versatile.

The American Farm Bureau Federation, the National Farmers Union, and the National Grange have each informed the committee that any one of the 3 principal plans under consideration is acceptable—the equalization plan, export debentures, or the domestic allotment method. As a result of this rather unexpected accord, the committee has indicated that it will recommend a bill adopting all 3 programs and directing the Federal Farm Board to proceed with their execution. The details of applying any or all will be left up to the board.

Although it is doubtful whether Congress can be persuaded to adopt a farm relief bill at this session, the Senate Committee will do its duty. It is probable, however, that the legislation in its final form will be permissive and not mandatory so that, even if Congress should take action on the matter, the Farm Board would not be forced to act against its will. The board formerly was inclined to be hostile to the equalization fee and to export debentures. But since the farm groups came to its rescue when it was at the mercy of a Senatorial investigation committee, the board has experienced a certain change of sentiment.

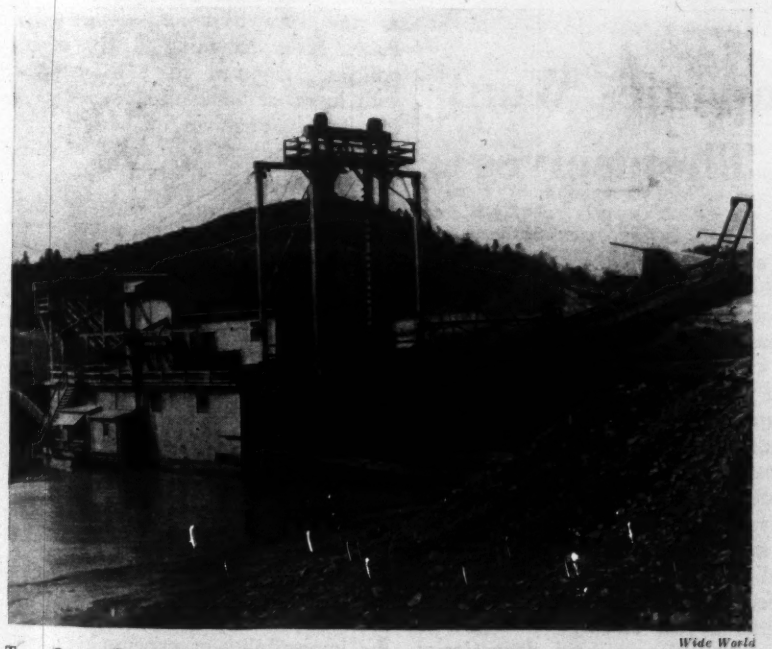
Something New in Relief

The domestic allotment plan is a comparative newcomer on the stage of farm relief proposals. Essentially, it is predicated on the allotment of acreage quotas. Wheat growers, for instance, would be told in advance the production that each would be permitted, to receive the benefits of the plan. There would be no actual restriction except that any farmer who elected to raise more than his quota would have to take his chances on the export market or would have to dispose of it in some other manner. To prevent his selling it on the domestic market the plan would provide a controlled distribution system either through licensing or by direct means of cooperative market associations. The theory of the proposal is that the domestic price would be maintained at the world price plus the present tariff.

See Production Check

In some respects, the farm groups believe that the domestic allotment plan is superior to the other proposals. In particular, they feel that this plan would provide a better check against increased production than the other two.

It is not proposed to apply any of these plans to all farm crops. Obviously any plan that seeks to afford the farmer greater protection by exercising a control over exports could not be applied to the vegetable crops and to the fruit-growing industry. They would be limited to such crops as grain and cotton and probably livestock. These farm industries, however, represent over 75% of the total farm population.



Wide World

THE ONLY PROFITABLE FARMING—*Low costs have brought out the gold dredges in Northern California. They work up the old river beds, chew through many a fertile farm to produce their $700 a day. This one brought along its own pond from the Mokelumne River a mile away*

Farm Mortgages Increase, Shift to Big Lenders

THE ratio of our farm mortgage debt to the total value of our farm real estate is at the highest point in history, according to the Department of Agriculture. At the same time farm mortgage holdings have been shifting from local lending agencies to large centralized institutions that draw their resources from a wide area.

The outstanding feature of the change since 1920 is the rise of life insurance companies to first place and the decline of commercial banks to third place as farm mortgage lenders. In 1920 life insurance companies held 12.4% of the total farm mortgage debt; they have 23% at present. Combined loans of land banks have risen from 4.3% to 19% of all mortgage credit. Those of commercial banks have dropped from 18.4% to only 11% now. The rest of the current farm mortgage total is distributed among mortgage companies (10%), retired farmers (11%), active farmers (4%), other individuals (15%), other agencies (7%).

The general trend has been from commercial banks, former owners, and other individuals, to insurance compa-

nies, Federal Land banks, joint stock land banks, and other agencies that specialize in long-term investments.

Life insurance companies assumed the leading position as farm mortgage lenders soon after 1921 due to their relatively greater supply of liquid funds seeking investment at satisfactory return. Loans of joint stock land banks rose steadily to 1927 but have declined since due to difficulties involving extensive foreclosures by many and receiverships for 3 of them. State and national banks began a reduction of their land secured loans as part of the readjustment process following 1920, still continuing as far as many are concerned. Only Federal Land banks continued to show rise in volume of farm mortgage holdings after 1927. The widespread network of more than 4,500 farm loan associations offering favorable interest rates, and a long-term loan on an amortization basis, enabled Federal Land banks to expand outstanding loans in every year until 1929, when they began to decline.

There is marked variation in lending strength among various sections of the country. Insurance company loans are concentrated in 4 geographic divisions centering on the Mississippi Valley, ranging from 19% of total loans in the East North Central group of states to 32% of total in the West North Central group, which is the most heavily indebted area.

Farm mortgage loans of commercial banks, however, are more evenly distributed than those of any other farm mortgage lending agency. They are in greatest proportion in the New England and Pacific states, smallest in the West South Central and West North Central groups, where farmers have found an increasing accommodation among more specialized sources of mortgage credit.

Wide World

FOR BETTER HOMES—*President Hoover congratulates Dwight James Baum on winning the 1931 Small House Architectural Competition. Right is E. G. Russell, president of the American Institute of Architects*

Fire Insurance Companies Want A Little Protection Themselves

FIRE insurance companies have been exercising their right to pay losses 60 days after receipt of proof of loss instead of immediately. Others may follow suit.

They are interested, not in holding funds 2 months longer, but in discouraging incendiary fires. Too many recent ones look as if they had been set, not by professional firebugs, but by owners desperately in need of money. An official of one company expressed the opinion that if such owners knew that the insurance money would not be paid in time to meet an immediate emergency they would be less tempted.

Adoption of this new policy would not prevent immediate payment where the cause of the fire is so clearly shown as to leave no doubt that the loss is an honest one, as in cases of exposure fires or lightning losses.

Loss records show no unusual number of mercantile fires. It is the large increase in dwelling house fires which has created suspicion. For example, there were 826 apartment fires in Manhattan and the Bronx in the first 3 months of 1932, compared with 668 in the same period in 1931.

Fire losses in March (April figures not yet available) were greater than in the same month last year, turning upward after 8 consecutive months recorded lower losses than corresponding months a year earlier.

Another plan to hold down losses, adopted by some companies and being considered by others, is to insert a deductible clause in the policy, making the assured liable for all losses up to a determined amount. Lately, heavy losses have been sustained on petty claims ranging from $10 to $50. It is reported that the assured has become insurance-wise, is filing claims on petty losses such as cigarette burns. So petty losses have become a large liability.

Total premiums written by fire insurance companies in 1931, according to the *Fire Insurance Policyholder Pocket Index,* including all types of fire policies, amounted to $778 millions with losses of $438 millions, a 56.3% loss ratio. Premium intake for 1930 was $886 millions with a loss of $485 millions, a loss ratio of 54.7%. Average loss ratio from 1900 to 1931, inclusive, was 52.1%. Values to the extent of $67,000 millions were insured last year, contrasting with $71,000 millions in 1930.

Costs Now Lowest

Incidentally, fire insurance costs are lowest in history, averaging 81¢ on $100 throughout the United States in 1931, a decrease of 5¢ a $100 from 1930, and 8¢ below 1929.

Fire insurance companies are suffering from same difficulties as other businesses. However, 3 factors were outstanding last year: (1) a drop in general price level, causing a sharp reduction in "real" premium income; (2) the impossibility of expense reductions commensurate with the loss of premium income; (3) a drastic decline in the market value of invested assets.

Wide Reading

THE WORLD'S ECONOMIC OUTLOOK. John M. Keynes. *Atlantic*, May: Last year we aimed to restore production. This year our primary problem is to avoid financial collapse. Great Britain alone seems on the way to recovery, will perhaps pull the world out of its rut. But disintegration may still overcome capital expansion. Sound, frank reasoning succinctly recorded.

FISCALIZING FOREIGN EXCHANGE. E. B. Dietrich. *Barron's*, Apr. 25. No fewer than 25 countries now strictly regulate their foreign exchange. It is strongly affecting foreign trade. Passed as a precautionary measure, it is possible that the flexibility of this type of trade control may prove so effective in meeting domestic needs that after experiments it may become an accepted technique in foreign trade policy.

INSURANCE: QUESTIONS OF STATE CONTROL. Edward M. Barrows. *Review of Reviews*, April. In what rôle does the government best serve the American public in the field of insurance?

THE ENGLISH VIEW. Sir Henry Strakosch. *Fortune*, April. One important British view of the depression, what caused it, whither it is bound.

JAPAN AND NEW MANCHURIA. *China Weekly Review* (Shanghai), Mar. 19. What can be expected in the way of Russo-Japanese antagonism as Nipponese imperialism is exercised in Manchuria.

WHAT FUEL, AND HOW EFFICIENT? *Chemical & Metallurgical Engineering*, April. Special issue devoted to an over-all picture of the fuel and energy supply of American industry, and a study of heat technology. Charts, tables. Coal, gas, oil. Where used; by what industries; in what volume.

RUSSIA'S HIGH-GRADE IRON ORE, OVER 2½ BILLION TONS, RIVALS UNITED STATES'. R. C. Allen. *Steel*, Apr. 18. Analysis of resources by responsible American engineers.

THE FLIGHT FROM THE CENTRE. Virgil Jordan. *Scribner's*, May. A few more years of economic centralization will be enough to start "that flight from centralization which in a few years will be in full force and will transvalue all the values upon which our existing structure is based." But it all hinges on the fullest centralization and widespread pooling of electric power sources.

HOW THE SHORT SELLING GAME WORKS. John T. Flynn. *New Republic*, Apr. 27. Tips to the Senate committee on what to ask about short selling, and where to go for the right answers.

AMERICA'S INVESTMENT STAKE ABROAD. Thomas R. Carshaw. *Magazine of Wall Street*, Apr. 16. Presentation, by means of graphs, of American foreign long-term investments and securities holdings, by countries.

THE WAY OUT—DEVALUATE THE DOLLAR! Srinivas Ram Wagel. *Commerce and Finance*, Apr. 13. Complete, detailed plan offered as a life-saving measure, not as a cure-all.

THE BANKER' ACCEPTANCE—AN AID IN BUILDING MARKETS. Robert H. Bean. *Executives Service Bulletin*, April. What bankers' acceptances are, how they work, how they can be used in business.

To men who want a guaranteed income of

$200 a Month for LIFE

The PHOENIX MUTUAL RETIREMENT INCOME PLAN

HERE'S GOOD NEWS for every man who wants to quit work some day. Through this modern plan recently perfected by an 80-year-old company, you can *guarantee* that when you are 55, 60, or 65 you can close up the old desk and play golf, go fishing, or travel as much as you want.

You simply make small regular payments now and we pay you a life income later. Here is what you get: 1. A Retirement Income of $200 a month for life. 2. A life income for your wife in case of your death before retirement age. 3. A monthly income for yourself in event of permanent total disability.

The plan goes into effect the minute you make your first payment. Even if serious illness or accident should stop your earning power for a certain period before a stated age, you would not need to worry, because your payments would be made by us. *In addition*, you would thereafter be paid a monthly income as long as your disability lasts, even if it lasts the rest of your life.

Once you have provided a Retirement Income for yourself, nothing can stop that income, nothing can take it from you. The Phoenix Mutual Plan enables you to end your biggest money worries *immediately*.

Send for this free booklet

The plan may also provide money to leave your home clear of debt, money for other needs. A 24-page free booklet explains the Plan in detail. Send for your copy today. No cost. No obligation.

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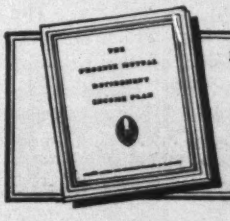

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Send me by mail, without obligation, your new book,
"THE PHOENIX MUTUAL RETIREMENT INCOME PLAN."

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Business Address_____

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Taxpayers' "Won't" Really Means "Can't," Chicago Events Suggest

Court ruling, extension of penalty date, special facilities for payment bring small collections

TAX delinquency, acute problem of scores of American cities, has been represented as a thorough-going revolt of property-owners, striking for municipal economy. Chicago has been the outstanding case. There, the protest of an irate citizenry has had all the trappings of a genuine, organized movement. But developments of the past few weeks indicate that the city real estate holder, saying stoutly, "I won't pay taxes," really means, "I can't."

Cook County tax collectors have stayed open Sundays. The penalty date has been extended twice: once to Apr. 30, again to June 1. The Illinois Supreme Court has overruled the tax-strikers' contention that assessments were invalid, which should have scared in those of the delinquents who held up payment on principle.

Yet They Don't Pay

But Chicagoans, despite the court decision against the principle and the unusual service offered, have failed to pay up their 1930 taxes. Collections to May 2 totalled $101,200,000. Of this, real estate accounted for $75,700,000 out of $245 millions levied; personal property, $25,500,000 out of $55,500,000. Which would indicate inability to pay rather than unwillingness.

On Apr. 1, a committee on public expenditures, headed by Fred W. Sargent of the Chicago & North Western, estimated that payments would total $146,452,000. With over two-thirds of the realty taxes, and over half the personal property taxes delinquent, the estimate now seems high, even though more real estate taxes will come in at the last minute.

Spending and Collecting

Major governments in Cook County spent $260 millions in 1930, based on a 90% tax collection anticipation. They'll collect about half what they spent, at this rate.

A considerable share of the larger payments are not in cash but in warrants. Thus instead of getting real money, the government gets receipts for past expenditures. Unless new borrowings are made to replace the warrants paid off, money is not available for paying school teachers, policemen, and others, and for meeting current expenses. With budgets so grossly unbalanced, Cook County governments find little market for current tax anticipation warrants. Costs of government are being slashed, but expenditures are not yet within income.

Professional Promotion

Organized tax revolt in Chicago has been promoted by The Association of Real Estate Taxpayers. James E. Bistor, local real estate man, is its moving spirit; John M. Pratt, former newspaper feature syndicate operator, is "executive director." Membership fee is "1% of your 1930 tax bill (minimum $2) plus $10 for each parcel of land on which taxes are $200 or more; $5 if taxes are less than $200." Considerable money has been collected under this plan.

Radio broadcasts and newspaper advertising have been used urging taxpayers to join the revolt. Recently, certain radio stations and the main newspapers have refused to sell further time and space to the organization.

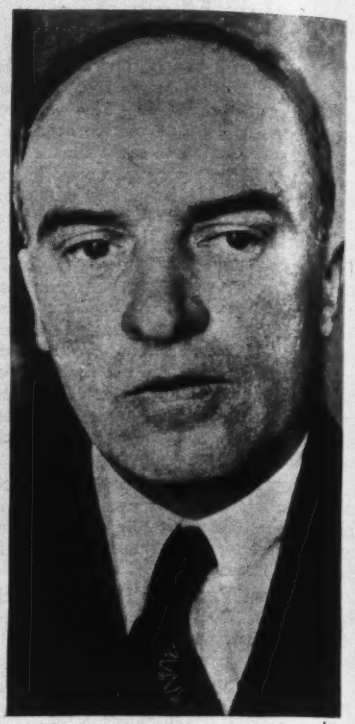
Tax Rebels' Case

The tax rebels claim that real estate tax assessments for 1928, 1929, and 1930 are invalid because, while a reassessment of real estate for those 3 years was made there was no reassessment of personal property—whereas the state constitution says all property must be taxed alike. This constitutes fraud upon real estate owners, they say. A local court upheld them, but the Illinois Supreme Court did not. Pratt states that the case will be carried to the United States Supreme Court, but this court has usually refused to interfere in state tax matters. Corporations in Chicago known to have good legal advice are paying taxes.

As far as taxation is concerned, the Illinois constitution is archaic, a stumbling block to tax reform. The recent income tax law, which was expected to reach some of the personal property in another way, has been declared unconstitutional by a Circuit Court. It, too, goes to the Supreme Court shortly.

How disrupting the fear of confiscatory personal property taxation can be, is indicated by sudden shrinkage of Chicago bank deposits on Apr. 1 of this year, the date of assessment. Later much of the money showed up again.

Tax title buyers, whose operations in the past have done much to keep local governments out of the real estate business, are broke too. Banks are not making loans of any consequence to them. What will happen to all the property that can't pay taxes remains to be seen. Probably the governments will muddle through some way, but it is a man-sized muddle.



Acme

STEEL FOR SOVIETS—*William A. Haven, general manager, Arthur G. McKee Co., returns to Cleveland after a year in Russia where his company has erected blast furnaces. Magnitogorsk will be the largest steel town in the world*

Metropolitan Life Aids Small Country Banks

METROPOLITAN LIFE INSURANCE CO. is aiding numerous small country banks which have been in danger of closing their doors. Never before has an insurance company attempted to save banks.

A fund of $25 millions was set aside for this purpose even before the National Credit Corp. and the Reconstruc-

tion Finance Corp. came to the rescue. Most banks helped were commercial, but in one case $2 millions of mortgage bonds were acquired from a savings bank in need of ready cash. It is reported the insurance company never takes the initiative. Applications for assistance come directly or through a correspondent bank.

Continuous cash inflow to the Metropolitan necessitates average daily investment of about $2 millions.

Life insurance companies hold a tremendous volume of farm mortgages. They are interested, therefore, in preserving stability in the rural regions. Bank failures not only paralyze local business, including insurance, but jeopardize farm mortgage holdings.

In spite of the National Credit Corp. and the Finance Corp., Metropolitan Life has more applications from country banks for assistance than last year.

With assets of $3,500 millions, Metropolitan is responsible for administration of the largest trustee fund ever accumulated in the history of the world.

It is reported loans of $1 million each have been made to the states of Illinois and Tennessee.

New York Building Strike Broke Sequence of Cuts

BOTH because it was the country's first and because it was their final real resistance to building wage cuts, the strike called last week by New York building trades workers attracted wide attention. However, the significance of the strike call—against a flat 25% slash in the wage scale, their first reduction since 1903—was diminished by the fact that only 20% of the members of the 31 unions had jobs, by general recognition that existing scales had already been undermined by secret agreement and individual necessity, by the men's own knowledge that their rates (established in 1929) were out of line with present conditions, and by the prior drop of all large cities, except Boston and St. Louis, to lower levels.

The immediate cause of the strike was a minor detail in the picture. At the last minute, the Elevator Manufacturers' Association spoiled what looked like an harmonious agreement by verbally promising their employees $1.20 more than the official scale. Union leaders demanded similar increases for all scales and the meeting broke up in the general irritation. But reports that New York employers would go open shop were quickly discounted.

NOW « « packages in a *wide variety of sizes* can all be wrapped on ONE machine

Uses Cellophane, glassine, waxed paper or printed wrappers.

This highly adjustable wrapping machine has met with wide interest in the package goods field, because it answers the modern demand for *flexibility*.

It is of special benefit to concerns making products in a number of different sizes. But even those concerns whose products are now packaged in only one size, welcome the opportunity this flexible machine offers in making it easy to introduce new sizes to the line. And, of course, it is always desirable to know that you can change the size of your package, should future conditions require it, without running into mechanical difficulties.

The machine can be equipped to wrap cartons in printed wrappers, Cellophane (plain or moisture-proof) waxed paper, or glassine.

Changing from one size package to another is accomplished merely by turning handwheels, and making a few simple adjustments.

Let us Solve your Packaging Problems.

This is just one of a large line of machines which we have developed to meet the varied requirements of the package-goods industry. No matter what the nature of your packaging problem may be, bring it to us. *Solving problems built our business.*

A subsidiary of the General Foods Company wraps these various sized packages on one F-9 machine.

PACKAGE MACHINERY COMPANY
SPRINGFIELD, MASSACHUSETTS
New York Chicago Los Angeles

PACKAGE MACHINERY COMPANY
Over 200 Million Packages per day are wrapped on our Machines

Washington Tries Its Teeth on the Frisco

THE extent to which the Reconstruction Finance Corp. and the Interstate Commerce Commission can use their relief power to dictate railroad financial policy is illustrated by the commission's edict that the St. Louis–San Rrancisco Railway will not be given a loan of $1.8 millions (for back taxes and equipment obligations due this month) unless it revamps its capital structure.

Under the lash of the I.C.C. decision, it is expected that the holders of $292.8 millions of Frisco's outstanding bonds will cooperate with the management in devising the means by which it can reduce its interest charges.

Improving the Collateral

Prior to the release of the I.C.C.'s report, it was rumored that the commission had instructed the Frisco to negotiate with its bankers for a loan that would enable it to buy on the market some of its 50-year consolidated mortgage 4½% bonds, sold in 1928 at $94, thus pushing up the current quotation of $11 and improving the value of the bonds as collateral for a Finance Corp. loan.

The supposition is that the I.C.C. finally decided that an operation, not a tonic, was necessary. No disposition to temporize is shown in its bald statement that the road is over capitalized and that the proportion of bonds to capital stock is excessive. Against $292.8 millions of bonds, $49.1 millions of preferred and $65.4 millions of common stock, the railroad's valuation as of 1918, plus net additions and betterments through 1931, totals $288.3 millions.

New Bonds for Old

Speculation on reorganization of Frisco's finances favors substitution of income for fixed-interest bonds, rather than a reduction in interest rates on bonds outstanding. Frisco's reorganization in 1916 was accomplished by issuing adjustment and income bonds. Its present troubles appear to have started in 1928 when the road retired these bonds by executing a new consolidated mortgage under which $100 millions of 4½% bonds were issued.

Besides requiring that the road submit prior to July 1 a plan to effect a "substantial reduction" in its fixed interest charges, the I.C.C. stipulated that Chase National Bank extend until that date a demand loan of $1.4 millions and that the Railroad Credit Corp. assume a previous loan of $2.8 millions made by the Finance Corp.

The Business Week

SMOKE DEFLECTOR—*The London and North Eastern is experimenting with a cutaway smoke box on a Flying Scotsman locomotive. When in motion, the draught set up keeps the smoke out of the engineer's eyes*

Transportation Act (of 1934) Merges Rail and I.C.C. Ideas

Final draft provides for holding company control, elimination of recapture, easier unification

COMBINED in one bill, the rail legislative recommendations of the House Interstate Commerce Committee concerning holding companies, rate-making and recapture of excess earnings, have been reported to the House. This measure may become the Transportation Act of 1934 but little further progress towards enactment is likely in the present Congress.

As finally drafted, the bill incorporates the ideas of the railroads, modified to conform with the Interstate Commerce Commission's proposals. These conflict principally in the provision that consolidation must follow the official pattern.

The bill recognizes the usefulness of the much-maligned holding companies in merger-making, but provides for their regulation in the same manner as the operating companies are now controlled. Moreover, to bend these obstreperous agencies to its will, the I.C.C. would be given authority to restrict their exercise of the voting power of stocks acquired without its approval, whenever such holdings are found to interfere with its consolidation plan. This the commission could do by requiring the deposit of stocks with a trustee, or by other means.

The bill provides further that unification of rail properties, heretofore effected only through acquisition of stock control, can in the future be accomplished by operating contract, lease, purchase, merger or outright consolidation. It also eliminates the present requirement that the stocks and bonds at par of the corporation which is to become the owner of the consolidated properties must not exceed the value of such properties.

Factors in Rate-Making

In rate-making, the principal factors to be considered by the Interstate Commerce Commission are (1) the public necessity for transportation at the lowest cost consistent with adequate service; (2) the ability of the carriers to render such service. Elimination of the rule of a standard return on fair value automatically removes valuation as a mandatory factor in making rates, but the commission is instructed to keep

valuation records up to date so that they may be available in the future for any use it cares to make of them.

Recapture by the government of excess earnings is to be repealed retroactively. Provision is also made for liquidating the paid-in recapture fund of $13 millions by pro rata distribution among the roads which deposited it.

With the hearing of final arguments on the proposed 4-system plan brought to a close, the carriers are hoping for an early ruling from the commission on the Eastern rail consolidation.

When counsel for the New York Central failed to appear last week in support of the plan, rumors promptly spread that this road was opposed to the consolidation program—and were as promptly denied. However, the Central, has less to gain under the plan than any of the other roads and it disagrees with the other roads on the procedure to be followed by the I.C.C. should the latter decide to bring its own consolidation plan into harmony with the 4-system arrangement.

Hook-up With Bus Line Extends Air Line's Reach

UNABLE to serve intermediate and off-line territory themselves, air lines have begun to hook up with bus companies in an effort to develop business from outlying points.

Joint air-bus service for parcels was started earlier in the year by the Transcontinental & Western Air in conjunction with the Greyhound Bus Lines (*BW—Feb17'32*). A similar plan has now been put into effect by the Eastern Air Transport and Greyhound for passenger traffic.

Through this arrangement, many cities not directly served by the air line will be given rapid connections with the nearest airport. The plan also provides for joint traffic promotion, joint schedules and tariffs.

Eastern Air Transport directly serves 27 cities from New York to Miami.

Livestock Truck Must Fight for Return Loads

RAILROADS have joined forces with common carrier trucking companies in Minnesota to launch a court attack against their common enemy, the unregulated livestock trucker who hauls cattle to market and brings l.c.l. freight back for a return load.

What these carriers challenge is the right of the unregulated truckers to pick up return loads of sugar, flour, hardware and other merchandise. Under the Minnesota law, livestock hauling is exempt from regulation.

If the stock truckers are deprived of this pickup business on their return trips, they will probably find it difficult to meet railway competition.

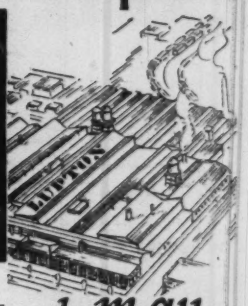
Congress May Endorse Unemployment Reserves

CONGRESS seems likely to be the second governmental body—the Wisconsin legislature was first (*BW—Jan 20'32*)—to take positive action to spread compulsory unemployment reserve systems throughout the country. The Senate's special committee on the subject has agreed, after early differences of opinion, that the federal government should call for state legislation to force employers to set up reserves for their jobless workers, and expects to bring the question before the Senate within the next week or so.

The committee does not propose any federal or state operated plan. It believes only that each state should insist that its employers set up reserves which, under state supervision, will provide specified minimum unemployment benefits. Proposed federal contribution to the plans would be the establishment of an effective, nation-wide employment exchange system such as is provided in a bill already offered by Senator Wagner, and the exemption from income taxes of at least a part of the payments employers make to reserve funds.

The chances for favorable action by Congress on the committee's proposal appear to be good. Sponsored by Senator Wagner, it will have strong support from progressives and liberals in both houses. In the agreement of Senators Hebert and Glenn, other members of the committee, to the principle of compulsory insurance, is seen an expression of the viewpoint of the President with whom they have frequently consulted. Thus Administration support is indicated for the general principle of compulsory insurance, regardless of what objections might be raised to any particular bill offered on the subject. The chief difference of opinion between Senator Wagner and the Administration members is that he is convinced that states must fix the amount of employer contributions to reserve funds while they believe the force of public opinion would insure adequate coverage of risks.

In Philadelphia

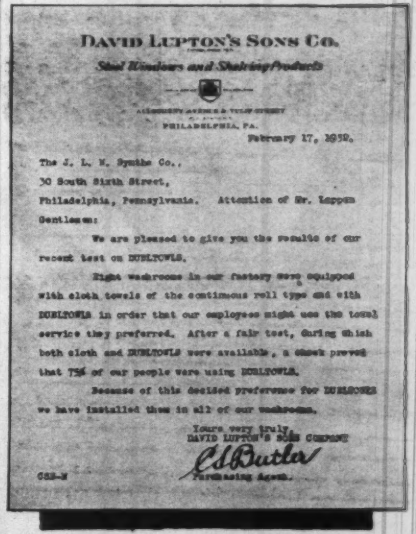


Miss Gertrude M. Allen

prefers DUBLTOWLS to cloth towels

She is one of the 75% of the people of the David Lupton's Sons Company who chose DUBLTOWLS when they were placed side by side with cloth towels in a comparison test in the washrooms.

And the following letter expresses the opinion of the David Lupton's Sons Company:



DAVID LUPTON'S SONS CO.

Steel Windows and Shelving Products

PHILADELPHIA, PA.

February 17, 1932.

The J. L. W. Bymbe Co.,
30 South Sixth Street,
Philadelphia, Pennsylvania. Attention of Mr. Lappen

Gentlemen:

We are pleased to give you the results of our recent test on DUBLTOWLS.

Eight washrooms in our factory were equipped with cloth towels of the continuous roll type and with DUBLTOWLS in order that our employees might use the towel service they preferred. After a fair test, during which both cloth and DUBLTOWLS were available, a check proved that 75% of our people were using DUBLTOWLS.

Because of this decided preference for DUBLTOWLS we have installed them in all of our washrooms.

Yours very truly,
DAVID LUPTON'S SONS COMPANY
C. D. Butler
Purchasing Agent.

GSS-M

DUBLTOWLS are soft and soothing to the skin. They are so unusually absorbent that one DUBLTOWL dries the hands quickly, thoroughly, and pleasantly. Write for details of a comparison test we will gladly arrange for *your* washrooms.

BAY WEST PAPER CO., *Green Bay, Wis.*
—a division of Mosinee Paper Mills Co.

BAY WEST

MOSINEE

DUBLTOWLS

"If it's a brown double towel, it's a BAY WEST DUBLTOWL"

Each DUBLTOWL is *two* sheets of pure sulphate kraft—73 times as absorbent, 4½ times as strong as the average of ordinary paper towels.

© 1932, B. W. P. Co.

Hard-boiled thinking

may hurt your pride . . .

but it will help your business

When you call in an advertising agency to help in your sales promotion, you might as well be prepared to scrap some of your pet ideas. For the men in that agency are going to put your business and its problems under the microscope. They're going to look at it not simply from your angle, but—what's more important — from your customers' angle. The two are *not* identical—and often sales success can be built only by modifying some of your methods.

To you as a manufacturer, the most important feature of your product might be something over which your prospect won't so much as raise an eyebrow. You might be telling him the temperature under which your product is made when what he wants to know is: how can it help him cut expenses in his business? You might be telling him of your long-standing reputation when what he wants to know is: how can you meet some special problem he's facing today?

One of the advantages of having your advertising prepared by an agency instead of by your own organization is that the men in an agency bring you the *outside* viewpoint. They're close enough to you to understand the basic principles and sales problems of your business. But not so close that they acquire what a well known advertising manager aptly calls *ingrown thinking.*

The agency man's life work is the study of human wants and how to stimulate them. From his experience in selling a wide range of products, he most probably knows what your prospects look for in your product. And if he doesn't know, he makes it his business to find out, by research and surveys or by actually turning salesman.

The result of this hard-boiled thinking is an advertising appeal that strikes home with the prospect because it speaks his language. It may not speak your language—it probably will present your story in a new way, upset some of your pet ideas about your business—*but it will sell goods.* And that's all you can ask of any advertising.

McGRAW-HILL PUBLISHING CO.
INCORPORATED
330 West 42nd Street · New York, N. Y.

▼

Because McGraw-Hill's continued success depends upon the success of its advertisers, we publish this, the first of a series of talks on the value of advertising agency service in the creation of sales-producing campaigns. We believe that a frank discussion of the basic jobs that the advertising agency undertakes will result in a better understanding of the real functions of the advertising agency.

▲

Employment Didn't Pick Up So the Relief Funds Must

And, like so many other problems, this one may be laid on the doorstep of the Reconstruction Corp.

IN view of the increase in unemployment during April, the peak of the normal spring season when employment usually increases—did so even in 1930 and 1931—hopes for an early pickup of business to lighten relief burdens are fading. Faced with the impending bankruptcy of most public and private relief funds throughout the country (*BW—Apr20'32*), Washington has again turned its attention to unemployment problems, may actually do something about them now.

R.F.C. Aids Plan

The most definite plan for help is to extend the powers of the Reconstruction Finance Corp. to permit it to make loans to cities on their bonds just as it does to railroads and banks against their obligations. It is reported that many Administration advisors, formerly opposed to this extension of power, now view it as the only way to ward off a successful drive in Congress for direct federal relief. Loans would be made to cities and no federal funds would be used directly in relief work, thus avoiding one of the Administration's pet *bêtes noires*, the dole.

Many cities have had difficulty in selling bonds; with further federal financing in view, this is likely to be increased. Many of them have exhausted private sources for relief funds, are faced with violent objection to higher taxes and see in loans from the Finance Corp. about the only way they have left to support their relief activities.

Changing Face

When the finance bill was being considered, Senator Wagner suggested that the Finance Corp. be permitted to make loans to cities but, with the opposition of Administration senators, the suggestion was not accepted. Political experts wonder how gracefully the Administration can reverse itself, particularly on a proposal sponsored by the New York senator, who is not very popular at the White House.

The authorization of $5 millions by the New York Board of Estimate to cover relief needs for June and July has met with severe criticism because of its inadequacy. Critics point out that almost that much was spent for relief in March alone; that even this amount did not care for all the needy cases; that unemployment is increasing so that a minimum of $6 millions a month is needed to do any kind of a relief job.

Governor Moore of New Jersey and leaders of both parties have agreed to submit to voters this fall a $20-million relief bond proposal for use during the next fiscal year. A special 2¢ a gallon tax on gasoline will be levied to carry the bonds.

In Illinois, the Emergency Relief Commission reports that its first legislative appropriation of $20 millions will be gone by Aug. 1 and asks for another similar grant to carry its work through the winter.

William Green, American Federation of Labor, estimates 7,950,000 unemployed at the first of May, highest on record. During April, 1931, 280,000 went back to work but in the same month this year 100,000 lost their jobs. Mr. Green believes that it is no longer possible to meet unemployment by relief measures and renews his demands for a shorter working week in order to divide available work among more workers. Trade union figures show 22.9% unemployed in April compared with 22.5% in March; an increase of at least 0.6% is usual.

Another bit of evidence of conditions is the fact that the War-Against-Depression campaign which set out to place a million men in jobs closed its books last week after 3 months of highly organized and well publicized efforts with 669,000 jobs recorded.

Firms With Dullest Trade Cut Wages Most

THE theory that wage cuts reduce costs, thus stimulating sales, increasing production, and increasing workers' earnings is seriously challenged by a survey of the experiences of 257 industrial plants with 157,000 workers just completed by the National Association of Cost Accountants.

The survey disclosed that plants which have made the most drastic wage cuts since 1929 have worked the fewest hours, while those making the smallest cuts have operated most nearly full time. The median wage level of the group was from 90% to 94% of 1929 levels at the end of 1931. In plants within the median group, working hours were 79.8% of those for 1929 and the number of workers employed was 66.1% of 1929 payrolls. In every group which

ALL STEEL BODY—*There isn't a bit of wood in this house now being built near Chicago. Steel and glass are used exclusively for the exterior*

had made higher wage cuts, fewer hours were worked, while in plants with smaller wage cuts, more hours were worked.

In addition, plants which cut wages most drastically had to lay off the most men, so that plainly the wage cuts did not stimulate their business. In plants where wages were cut to 75% or less of 1929 scales, the average number of employees at the end of 1931 was 29.2% of 1929 payrolls. In plants where wages were above 1929 levels, the number of employees was 68.8% of those employed in 1929.

In the plants surveyed, average hourly rates had declined 5.6%; working hours per week, 20.9%; weekly earnings, 25.3%; number of workers employed, 29.8%; total wages paid, 47.5%.

Decrease in earnings of employees of various industrial groups included in the 257 plants varied widely: food, 15%; printing, 22.6%; paper, 25.9%; leather products, 33.4%; stone, clay and glass, 7.7%; chemicals, 27%; rubber products, 38.4%; machinery, 62.9%; forest products, 57.8%; transportation, 54.6%; non-ferrous metals, 54.8%.

Among the various states represented there was also considerable divergence in the percentage loss of workers' earnings. New England had the smallest loss. As shown by the figures of the survey, Hawaii, Kentucky, California, and Indiana are the best states in which to have jobs, reckoned by loss in workers' earnings.

They'll Take Insurance Instead of a Wage Cut

AMERICAN CENTRAL LIFE INSURANCE Co., Indianapolis, has killed several birds with one stone. By a plan which, in effect, requires each employee to authorize it to deduct a minimum of 20% of his salary for the purchase of some form of personal life insurance maturing in 5 years, it has reduced its cash payroll 20%, added to its premium income, increased its insurance in force, and spared its workers a wage cut.

Of course, it is also requiring them to break all savings records. *The Business Week's* study of the American consumer market, now appearing, shows that in only 3 years since 1919 have the average savings per family exceeded 10% of its average income, and the high of 12.3% established in 1928 is still far below American Central's 20%. But when a wage cut is the alternative, the only answer to the objection that this can't be done is 'Uncle Remus' answer to the objection that his rabbit couldn't climb a tree. "He jest natcherly had to."

Building Held Up By Lack of Funds

IN pledging its cooperation to the home modernization drive in 231 cities recently inaugurated by the Department of Commerce, the United States Building and Loan League, Chicago, points out that the major purpose of the campaign cannot be achieved unless home owners with work to be done are provided with better financing facilities than are now available. Specifically, the League believes that the Home Loan Bank bill, now before Congress, would help the situation greatly if it could be made effective at once.

Although about $25 millions are expected to be spent on home repairs and improvements during the next few months as a result of the campaign, most of it will go for relatively inexpensive work like painting and minor repairs. The league believes, however, that there is a much greater volume of work to be done which involves more expense than the average home owner can handle on a cash basis and which would be completed if he were offered the necessary financing.

Nothing to Loan

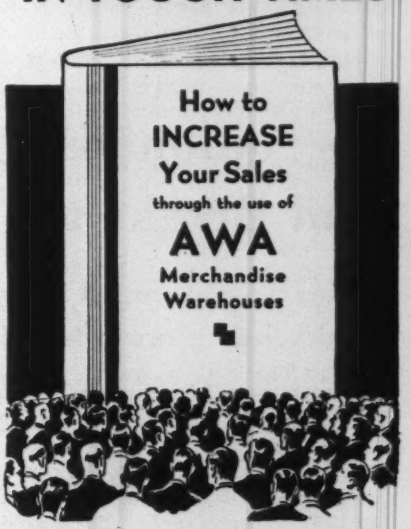
That this is not being done now by banks and other loan institutions is shown by reports from member associations of the league that their own loanable funds have gone and that no more are generally available.

In Oregon 15 building and loan associations have received demands for $850,000 of home loans, over half of it to be used for repair and remodeling work. A New Orleans association has an unsupplied demand for $500,000, half of it for home remodeling which has already waited 2 years for funds.

Two associations in Jackson, Mich., have had an average of 4 applications a day for home loans with a total unfilled demand for $1 million. It is estimated that, if these demands could be met and work started, it would give jobs to 1,000 men now idle. Another Jackson association has had 1 or 2 applications a day for from $500 to $1,000, chiefly for modernization work.

Two Illinois cities of 20,000 population reported 25 or 30 requests each for modernization loans which could not be supplied. In an Iowa city one association has been asked by 65 home owners for $71,000 of modernization loans;

HERE'S HELP
IN TOUGH TIMES



There's a way to cut costs while increasing your sales and this

FREE BOOK
TELLS HOW

IF YOU haven't seen this new book on modern selling and distributing methods, write today for your *free* copy. It tells how to gain regional or national distribution for your product, at minimum cost . . . how to place spot stocks of your merchandise in the cities where your goods can be most readily and profitably sold . . . how to reduce branch house overhead by using our warehouses as your *own* branch distributing points.

Nationally-known merchandisers — famous for their success in selling their maximum market—contributed the facts, figures and ideas which this book presents. You'll read in it the experiences of such products as Lucky Strike, Beech-Nut, Bon Ami, Borden, Carnation Milk, Colgate, Comet Rice, Karo—and hundreds of others, made by manufacturers large and small.

In these trying times, alert executives are finding fruitful knowledge and common-sense inspiration in the A.W.A. Booklet. Write today for your free copy. Let us show you how to get strategic distribution for your raw materials, manufactured articles or service parts. Economical, efficient distribution — at minimum cost! That's what A.W.A. warehouses offer. The book tells how.

AMERICAN
WAREHOUSEMEN'S
ASSOCIATION
2013 Adams-Franklin Bldg. Chicago, Ill.

total demand for all kinds of home loans in this city is $565,000. Newport, Ky., has an unsupplied home loan demand for $200,000 through one of its associations, the major portion to be used for modernization.

Similar reports from all sections of the country indicate that if loan demands could be met, through the Home Loan Banks or otherwise, an immense amount of construction work could be set in motion at once with favorable repercussions upon all industry and trade.

It's Nationalism That Makes And Breaks the Cartels

Makes them strongest in strongly centralized countries, breaks their power when they cross boundary lines

WASHINGTON and Rome recently made two significant statements regarding cartels.

Said Washington: "The history of the international cartel movement during 1931 serves to confirm the more or less prevalent opinion that its influence as a stabilizing factor during the present crisis has been insignificant."

Said Rome: "The General Fascist Confederation of Italian Industries, in view of the world depression, unrelieved by any reliable symptoms of early recovery, and in the hope of strengthening the position of certain branches of production, is now urging the formation of trade agreements, and where expeditious, the formation of national cartels."

There is no carelessness in comparing these statements. *The Business Week* does not ignore the fact that Washington is talking about broad international agreements whereas Rome refers only to a similar development confined to domestic industries.

A Year's Developments

A glance at developments over the last year in both the national and international cartel fields suggests some of their weaknesses, some strong points.

Of the two outstanding developments in the international field in 1930, the nitrate cartel failed in 1931 in its efforts to stabilize the relations between the natural and the synthetic producers and had to be abandoned as a comprehensive international organization.

The Chilean nitrate (natural) organization is struggling now to meet the financial requirements of its present set-up on dwindling returns from drastically curtailed market demand. The German synthetic industry alone could almost meet world demand, is actually working at a fraction of its capacity.

The Chadbourne sugar agreement has been repeatedly threatened by the difficulties between the Cuban and Javanese producers regarding limitation of production, and sugar is selling at record lows, with no assurance that bottom prices have yet been reached.

Troubles in Steel

The Continental Steel Cartel is kept alive by provisional extensions, but there is practically no attempt to enforce its provisions. Quotas are pretty much ignored. Belgium, and to a smaller extent France, is still too busy to worry over the plight of German members. Everyone thinks the idea is fine, but no one prospering will assume responsibility for the less fortunate.

And so with the copper, and tin, and zinc, and coal cartels. Aluminum, rayon, wire, electric bulbs, and platinum cartels have been more fortunate, but scarcely successful in maintaining prices.

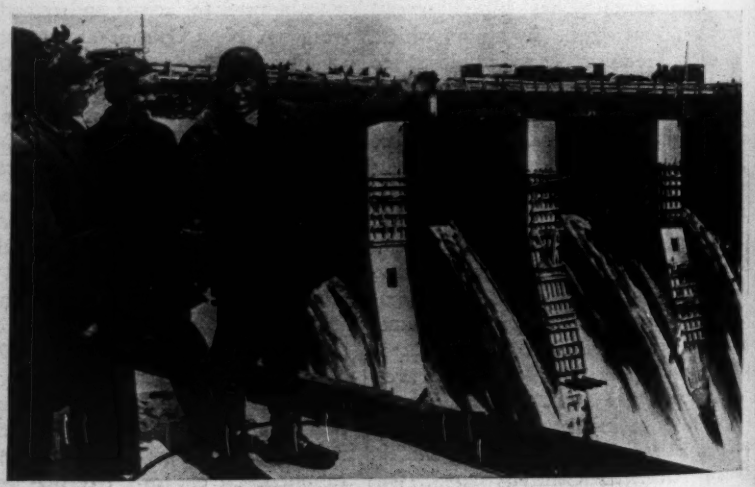
National agreements, on the other hand, have in some cases proved helpful. Brazil, for example, seems to have stopped the decline in coffee prices by drastic government control. It's too early to pronounce the scheme a success but its chances appear to be above average.

Similarly, national rayon agreements have proved beneficial in Germany and Italy, though the international organization has been less successful.

Match Agreement Renewed

Italy's Fascist guild regulations have encouraged the industrial consortium movement in recent years and they generally have met with favor. Already this year the 9-year-old match consortium—including Italy's 36 match-producing firms—has been renewed for 10 years; the iron and steel industries organized for 9 months; the jute burlap and sacking industry to control all sales and allot quotas; and the fertilizer industry to control sales.

The Business Week's Milan correspondent reports that certain large voluntary cartels in Italy have found that their effectiveness was impaired by a handful of small "rebels" who refused to cooperate. This has led the manufacturers' association—made up of employers, workers, and government representatives—to suggest to the government the establishment of compulsory consortia. Though the government followed the suggestion in forming the iron and steel industries agreement this spring, it is definitely pointed out from Rome that it does not intend to take the place of manufacturers. Responsibility and initiative remain with individuals. Only when decisions are likely to affect adversely the entire



DNEIPER DAM—*Built by American engineers, the Soviet's principal power project will be the largest in the world until Boulder Dam is working.*

country will the government intervene. Because new domestic consortia in the sheet glass, Venetian glass bead, felt hat, ivory button, and preserved tomato industries are now being negotiated, some recent regulations decreed by the Central Corporative Committee are interesting:

(1) A large majority of interested industrialists must sanction a consortium for their industry;

(2) Competent authorities must approve it from the point of view of national economy;

(3) The state will limit and supervise its functions;

(4) When a consortium is created, no new industrial establishments can be started or plans in existing establishments enlarged, without some sort of state or consortium control;

(5) The government shall have authority to revise or modify the rules of existing consortia.

The Great Handicap

One condition common to both types of cartel is that failure, when failure has resulted, has been due largely to a lack of cooperation under the voluntary system. In the case of international cartels, there is no higher authority to force agreement, unless the League of Nations is encouraged and supported in carrying out that task. So long as individual interests and national politics are what they are and are given a free hand, the chances for success are small.

The national cartel which can force cooperation among recalcitrant individuals, if it proves successful on the large scale on which it seems to be entering in Italy, and in individual cases in other countries, may encourage more sincere efforts at international cooperation.

Some of the early backers looked on the international industrial agreement as a force which would combat tariff excesses. It has failed in this aim. It is possible that it will be proposed again in coming international economic conferences as a way out of the tariff impasse and the price slough.

Germany's Creditors Cut Interest Rates

EUROPEAN NEWS BUREAU—Bone of contention between Germany and her creditors, interest rates on the short-term loans have been settled.

Generally, they have been reduced to 6%, except when the official bank rate of a creditor's country exceeds 4%, in which case creditors receive 2% above the bank rate, with a maximum of 8%. Previous to this arrangement, municipalities paid from 8% to 11%.

American banks were not represented at the conference at which the formal agreement was signed, though in many cases they have already made similar arrangements with their debtors.

The Reichsbank has welcomed particularly the reduction of the interest charges on the $90-million B.I.S. credit to 6% from the former 8% to 9%.

French Double Tax Plan Eliminated by Treaty

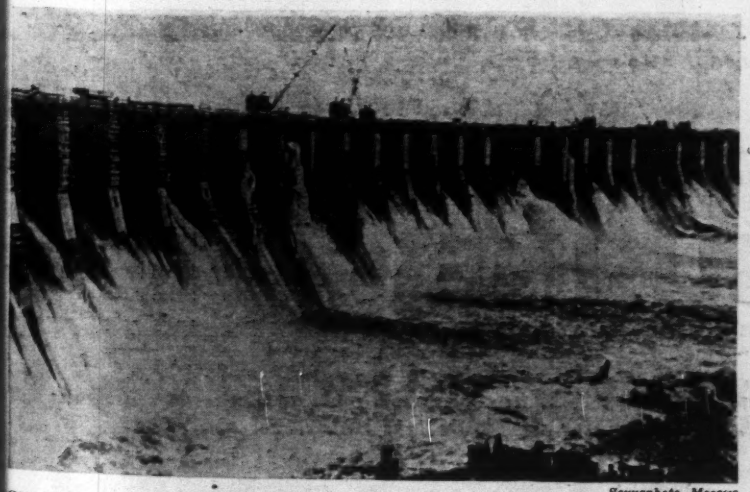
TAXES in France are a nuisance. At least, any foreigner trying to do business there will say they are.

This week Washington and Paris signed a treaty which eliminates one of the most objectionable of these taxes as they have affected Americans—the tax under which the French government subjected branches or subsidiaries of foreign firms doing business in France to the regular taxes, plus a tax on the portion of the estimated profits of the parent company which were considered to have been earned in France.

Under the new agreement, American branches or subsidiaries in France are given the option of paying the taxes under the old regulation or of agreeing to pay in lieu a tax on "diverted profits." In the second case, the tax on diverted profits is applicable only in case the inter-company arrangement between the French subsidiaries and the American parent company is such as to leave with the American parent corporation profits which are properly allocable to the French subsidiaries. These diverted profits are subject to the regular profits tax of 15% and to the dividend tax of 16%.

In the case of a branch, a similar option is given under which the second tax upon a portion of the dividends distributed by the parent company will be abandoned, and in place of it 75% of the profits of the branch subjected to the dividend tax.

The treaty brings to an end more than 6 years of heated litigation which has centered in The Boston Blacking Co. (France) case which became the trial case in 1926 when the company carried to the Supreme Court an unfavorable decision handed down by the Court of Appeals (*BW—Jul22'31*).



Soyuzphoto, Moscow

Construction was completed ahead of schedule, and May Day saw 3 of the 9 great turbines turning over for the formal opening ceremonies.

New Train Hurries Berries To New England Markets

Continuing the expansion of rapid freight service, the New Haven Railroad has inaugurated the "Strawberry Special"—a new fast freight train to hasten perishable specialties from the Delaware Peninsula and North Carolina to New England markets.

The new flyer runs on practically a passenger train schedule between New York and Boston. Fast freight service into New York is over the Pennsylvania and other lines. Connection is made with the Boston & Maine for Portland and the northern New England cities.

The "Strawberry Special" promises delivery in New England markets on the second morning from Delaware, third morning from North Carolina.

NOW, for the first time, you can know the *actual amount spent*

for food, shelter, clothing . . . . and *for all other things!*

CONSUMERS don't live by official budgets. The true measure of their cost of living is *not* someone's idea of what they *should* spend—or someone else's finding of how little they can exist on. The true measure can be found only in the records of what all the consumers *actually do spend* for everything they use.

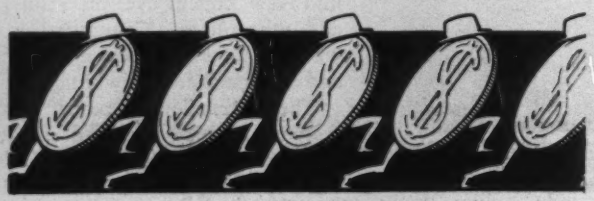
Now, for the first time, such a record is made available. In the fourth study of "The American Consumer Market", appearing in *The Business Week* of May 18th, you will find an accurate picture of what consumers actually spent from 1919 to 1930 for food, clothing, housing . . . and *the remarkably large percentage left* for all other items. You will find, too, an exact picture of the vital changes in the make-up of the American Consumer budget during this important period.

After you read this article you'll probably discard all hypothetical standards of "Cost-of-Living" as a measure of consumer markets. Such indexes—based on estimates made years ago of expenditures of special classes of consumers in particular localities—are shown to be misleading guides to the consumer market for American business. Business policies founded on them may be seriously—even suicidally—mistaken. No matter what your business, you cannot afford to miss this series of 20 studies of "The American Consumer Market", now running in *The Business Week*. This series gives the first *complete* record of consumer buying over a long period. It covers virtually everything the American people buy—roughly, about a thousand items.

Obviously, this series will be an indispensable aid to you in defining your markets. The subscription to *The Business Week* is $7.50. In Canada, $10.00.

THE BUSINESS WEEK

330 West Forty-Second Street — New York City



Where are the Consumer's Dollars Headed?

You'll find the answer in the series, 20 studies, "The American Consumer Market"; now running in *The Business Week*.

Business Abroad—Swift Survey Of the Week's Developments

World business worried itself into a state of pessimism last week despite some favorable developments. . . . France developed a case of the jitters over preliminary election returns, is afraid of a strongly Left government. . . . Britain is worried over conditions on the Continent but still confident. . . . Germany is slipping, suffering inevitable consequences of too-long-delayed international cooperation. . . . Central Europe is crumbling economically. . . . Rumblings in the Far East are too loud to be masked by thin temporary improvement. . . . Politics is the disturbing factor in every case, but there is no sign of change in the coming week.

Europe

EUROPEAN NEWS BUREAU (*Cable*)—Current business trends in Europe are not altogether unfavorable, but there is a distinct undercurrent of pessimism over basic conditions which obviously are not good.

Surface signs which fool the unwary:

Tin has zoomed 20% from its recent low on the prospect of effective production cuts;

Oil shares have recovered somewhat, particularly Royal Dutch, on reports of a world conference about to convene in New York at which the increasingly important Soviet industry will be represented;

Italy and Germany have again lowered their bank rates, while Britain has announced an unlimited 3% treasury bond issue, the proceeds of which will be used to retire maturing 4% bonds. London City fully expects that nearly $1 billion will be subscribed, and that the operation will prove to be the first step toward the major 5% war loan conversion operations which are expected to follow soon.

But in this brief list are included all the favorable aspects of the European business outlook that can be marshalled. The main trend, both for commodities and securities, is downwards, notwithstanding the partial midweek rallies. Price uncertainties are holding back even what little seasonal activity might otherwise develop, while trade is more and more hamstrung as tariff and quota restrictions continue to multiply. And finally the Goldsborough bill at Washington has revived uneasiness over the inflation policy of the United States, though opinions are beginning to be expressed that this is the best way out for all concerned.

Probably the most portentous trend to note is the blasting effect on international trade of the spreading restrictions. Several countries are approaching the point where it is no longer a question of sustaining the foreign debt servicing, but of meeting even current trade obligations for indispensable imports.

Imports Slashed

According to a tabulation made by *The Business Week's* Paris office, the aggregate of March exports and imports by volume in 7 of the more important Continental countries was 24% below last year, and 34% below 1930. All countries are affected, but Eastern Europe is most seriously distressed. Austria now is no more than a living corpse. The $10-million March trade deficit alone equalled one-third of the remaining gold supply and exceeded the remaining exchange reserves of the National Bank. The final effort to stave off collapse has brought by decree 80 outright import embargoes on products, imports of which last year were worth $50 millions.

Hungary is little better off, and Czechoslovakia, hitherto relatively immune, is now seriously affected. There is grave anxiety over the huge Skoda steel works, while Batá, with 25 million pairs of unsold shoes on his hands, is closing part of his factories.

British Duties

The effect of British duties is also considerably more extensive than was at first supposed. According to the London *Economist*, the new duties, as applied to 1930 imports, will affect $2 billions worth of trade, to which can be added another $1 billion still subject to previous duties. This leaves only $1,675 millions free, and $535 millions duty exempt as empire imports.

Taking 1930 values, import trade now is subject to the following duties: 10% rate, $1,330 millions; 15% levy, $80 millions; 20%, $520 millions; 25%, $25 millions; 30%, $15 millions; 33%, $80 millions.

Redivided by kind, these imports are: foodstuffs, $770 millions; rawstuffs, $275 millions; manufactures, $1 billion. Empire imports, now enjoying exemptions, amounted in 1930 to the following totals: foodstuffs, $310 millions; rawstuffs, $100 millions; manufactures, $125 millions.

U. S. Manufactures Hit

The 1930 value of the principal imports from the United States now subject to higher duties are: machinery and tools, $46 millions; agricultural machinery and tools, $1.4 millions; cutlery, $900,000; wood manufactures, $3.4 millions; lumber, $3.4 millions; metal furniture and stoves, $1.4 millions; paints, $2.7 millions; linoleums, $1.7 millions; toilet preparations, $2.4 millions.

French, Belgian, and German business is particularly affected by the new duties, is studying carefully this report from London's economic authority. Moscow, too, is looking on with considerable concern. It is entirely possible that London is playing up the figures to her benefit as pre-Ottawa propaganda. She can afford to. They are effective.

Great Britain

Tone steady. . . . 3% treasury bond issue anticipated as leading to war loan conversion operations. . . . Stock markets worried by European situation and rumors of impending trouble in certain industrial and investment houses.

LONDON (*Cable*)—Several factors shook British confidence as reflected in the stock market this week, but the general tone remains good. Behind all the comments, pro and con, on the new tariffs there is a broad feeling of confidence that they will do much to help Britain. The volume of business concerned (see above) has surprised even the British general public.

British Treasury Issue

There was a second cheering factor. The announcement of the new treasury bond issue of unlimited amount at 3% is received most favorably in Lombard Street. It is now definitely agreed that the bonds are not being issued to provide funds for the exchange equalization fund as was first thought, but that they are likely to be used to convert maturing 4% issues. Most significant, the issue is looked upon as a trial balloon before the government definitely goes ahead with plans for the extensive war loan conversion operations.

Less favorable factors crowded into the picture during the week. The stock market was particularly nervous over

the general European situation. No doubt influences included the French elections with their swing to the Left, the growing crisis in Central Europe, the revelations in connection with the Kreuger affair. Rumors of impending trouble in certain industrial and investment houses have also spread. The City looks on the Anglo-Chilean default as the beginning of a bust-up of Cosach, in which much British money is invested, and there are rumors that important tin interests are shaky.

The budget still receives the general comment that it was "sound but a little dampening." The hope is maintained that after Lausanne and Ottawa and experience with the new tariff yields, there may be a supplementary budget in September (on last year's precedent) which will give the direct taxpayer some relief.

International News

SHAKE AROUND—*MacDonald (Britain), Bruening (Germany), Tardieu (France) discussed disarmament in Paris and probably swapped opinions on reparations, the bankruptcy of Central Europe, trade barriers, the gold standard, the "inflation" policy in the United States*

France

French business runs to cover when preliminary election returns show a strong trend to the Left. . . . Actually, business still shows signs of the small spring revival. . . . American business no longer needs to pay a double tax.

PARIS (*Cable*)—French business had a bad case of the jitters when the reports of the preliminary election returns were published and showed distinct gains for the Left. Prices on the Bourse declined sharply, and sentiment turned pessimistic.

France has confidently hoped that the elections would mark the turning point in domestic business disintegration which has been intensifying for many months now, with the barest sort of a spring pickup to offset it. Hope was that a coalition government made up of the moderate parties would come into power. From the point of view of both domestic and foreign affairs, critical as they are now, this seemed most desirable, seemed to be what business could expect from the electorate.

But Tardieu's last minute offensive electioneering tactics and the greater than expected gains of the Liberal Socialists have now diminished the possibility of a centrist government and have greatly increased the prospect of a Left coalition analogous to the 1924 coalition which held the reins during the anxious months when franc depreciation got its start.

Partly because of this analogy and partly because of fears of social extravagance and heavier taxation under such a government, business has become alarmed. If a strongly Left coalition does come into power after the May 8 "run off" elections, it probably will cause an exodus of capital and bare France's highly inflated condition.

Moderate Foreign Policy

Conservatives, on the other hand, are comforting themselves with the realization that whatever the outcome, foreign policies almost certainly will be more moderate and the attitude of the government more conciliatory. This does not mean, however, that France will for one minute abandon its former fundamental principles, and claims on unconditional reparations, for armed security.

In the meantime, little attention is being paid to the continued decline in the number of unemployed, reports of brisker retail sales, continued larger orders in some of the light industries.

Americans doing business in France were cheered by the favorable decision of the government toward eliminating double taxes on foreign businesses (page 31), but saw themselves further discriminated against in the new iodine import quota which gives the largest quotas to Japan and Germany.

Belgium is striking back at France on the import restrictions. The government at Brussels is taking measures directly against the French budget ruling of the 2-4-6% "import turnover" tax recently levied. Aiming their comeback at France, the Belgians have introduced a bill in their government calling for equivalent taxes on goods coming from countries "which treat imported products less favorably than native products." Negotiations are now going on between the two countries in this connection. Belgium's action is typical of resentment aroused abroad.

Germany

Business slack. . . . Unemployment fails to show seasonal decline. . . . Government plans domestic loan to finance public works. . . . Agitation for obligatory 40-hour work-week. . . . Country to import wheat.

BERLIN (*Cable*)—Germany's precarious situation has not improved this week. Anti-Bruening intrigues are impairing the work of the Reichstag, and the pos-

sibility of early reconstruction of the cabinet is accentuating the general uncertainty which is impeding business.

Unemployment has failed to show any satisfactory seasonal decline. Faced with this drain on government finance, Berlin has decided to issue within the next few weeks a tax-free loan running for several years at a comparatively low rate to secure funds to be used on public projects. To attract small investors, there is to be a lottery feature attached to the loan. Though the project will benefit the country in the end, the immediate effect of the announcement is to choke any recovery of bond prices. Business is pessimistic over the success of the loan.

The steel and coal industries continued stagnant during the week, but the chemical, glass, clothing, wood, and knitting goods industries showed slight signs of improvement.

Because of widespread industrial inactivity, there is strong agitation again that the government enforce those industries working more than 40 hours to reduce to a 40-hour week, employing more hands where necessary. Industrialists are opposing the measure vehemently.

Financing arrangements have been completed for 300,000 tons of Russian steel orders and there is hope that Germany will be able to book a Soviet order for freight cars. Other export business is slack.

Rising prices and diminishing supplies of wheat have caused the government to lower the duty, and increase the allowance of foreign wheat for milling. It is possible Germany will absorb from 100,000 to 200,000 tons in the current crop year.

Latin America

Anglo-Chilean defaults on interest payment. . . . Mexican business shows few signs of spring pickup. . . . Colombia grants first choice for foreign exchange to importers of raw materials.

WIDEST interest in Latin America last week centered in the announcement by the Anglo-Chilean Consolidated Nitrate Corp., subsidiary of Cosach, that the interest due May 1 on its 20-year, 7% debentures of 1945 would not be paid. Reduction of the funded debt of Cosach, probably including the $14,600,000 of Anglo-Chilean bonds outstanding, is the subject of current discussions between international banking groups.

Cosach reorganization was barely completed when the depression hit business. World markets, which had been more or less allocated by the International Nitrate Cartel, were unable to absorb the usual amount of nitrates, synthetic or natural. Either group is capable of supplying the total of normal world needs. The agreement lapsed last year. Since then the price of nitrates has dwindled with demand.

Cosach in Difficulty

Chile is faced with the difficulty of having leaned heavily on natural nitrate and copper exports for a large part of government revenue as well as for the livelihood of many of its population. With prices at drastic new lows on both these products, and world demand more than supplied by present stocks, the future is not bright. Chile's population is small but unemployment is widespread and unrest is troublesome to business.

Mexican business in April failed to show any striking signs of recovery but business has turned more optimistic. Mexico City department stores reported slightly improved business in April, but wholesale buying continues on a hand-to-mouth basis.

The textile industry has shown a slight improvement since March. The demand for plain grades of unbleached sheeting which most of the mills are manufacturing is good and several producers are running three 8-hour shifts a day. Rayon hosiery manufacturers are operating on a 2-shift schedule.

Mexican Industry Slack

Electrical equipment in the industrial line is moving very slowly. Manufacturers, railroads, and the mining industry continue holding down their purchases to bare necessities and it is only when equipment breaks down that orders are given for replacement. The sale of electrical household appliances and lighting fixtures was about the same in April as in March. It is the lack of credit facilities which is seriously affecting business.

In other countries there is small change in business. Argentina and Brazil are still relatively in better condition than most other countries. Colombia, according to the Colombian Cable & Air Mail Weekly Service, is favoring raw materials for domestic manufacture by urging the control board to give first consideration to petitions for foreign exchange in payment for these raw materials. This will favor especially the flour milling business, breweries, cotton and silk manufacturers, match factories, and importers of straw for straw hats.

Far East

International uncertainties prevent the return of normal business activity. . . . Civil strife becomes active in China. . . . Russo-Japanese antagonism in Manchuria growing. . . . Japanese situation temporarily improved by success of 3 major Seiyukai policies.

FAR EASTERN business is still very much in abeyance because of military activities and the threat of further troubles. In South China there is a revolt against the central government. At Shanghai in Central China little new business has been started because of the uncertainty of negotiations for the withdrawal of Japanese troops. In Manchuria there is the difficulty between Chinese irregulars and Japanese troops, and the intriguing between White Russians and Chinese. Both Russia and Japan are too obviously preparing for a military emergency to encourage an early return of normal business.

Shanghai Lacks Confidence

Signs of business dullness in China are spread over a wide range of activities. Retail trade is slack. In Shanghai, 3 of the larger department stores are operating at less than half their normal volume. Old construction projects are being pushed but little new construction is being started. Import and export business is small. The domestic bond market remains officially closed. Money is plentiful, but credits are tight and are expected to continue so.

Sino-American airplane service between Shanghai and Chungking is operating regularly. Sino-German air lines between Nanking, Loyang, Peiping, Sianfu, and Lanchowfu continue, with plans to connect soon with Tihwa, the capital of Sinkiang province in Western China.

Chinese Business Hesitant

Though signs indicate now that business will recover as soon as the international situation clears up, the complications in Manchuria and the prospect of civil disorganization are not promising.

Japan, on the other hand, was buoyant this week. Markets were favorably affected by the conclusion of the sale by the government of indemnified silk, by the government's decision to enlarge the currency issue allowed on the gold base, and by the prospect of a satisfactory settlement at Shanghai.

Foreign trade for the last 10 days of April continued to show a large unfavorable balance, with imports of raw cotton still very large.

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Our Interests Abroad: Reprisals and Pineapples

SCATTERED developments in Europe continue to affect American business.

Spain: Commercial negotiations between the United States and Spain have been resumed. Among Spanish grievances is the export loss of 400,000 barrels of grapes annually since 1924 following American quarantine restrictions (which all Europe complains are hypocritical), and increased American duties on Spanish onions and cork, which have practically wiped out the trade since 1929. In retaliation, Spain introduced differential duties against the United States, turned to France and Italy for automobiles, to England for sewing machines, to Russia for petroleum.

The following figures show some of the more important consequences to American exports to Spain of trade depression aggravated by this tariff war. These consequences are to be dealt with in diplomatic negotiations just opened.

U. S. EXPORTS TO SPAIN
(Millions of gold pesetas)

	1929	*1930*	*1931*
Automobiles (numbers)	15,309	9607	267
Tires	*	17.7	4.3
Sewing machines	18	7	0.6
Typewriters	*	2.8	1.2
Petroleum and products	89	51.4	1.2
Cotton	*	116.4	86.6
Guts in brine	*	8.1	1.0

*Not available

France: A recently introduced government bill proposes to aid pineapple growers and packers in the French colonies who are at present suffering from severe foreign (principally American) competition. The bill does not raise existing duties, but creates a so-called "statistical tax" of 15 or 30 centimes (3/5 or 1-1/5¢) per kilogram (according to the method of preparation), on pineapple imports from foreign countries. The proceeds will serve as a subsidy to colonial planters.

France imports large quantities of fresh and canned pineapple. Statistical data are not available as pineapple is summarized with other fresh or canned fruit imports. It appears, however, that the annual imports of this commodity may be estimated at $600,000, and that the United States supplies at least 50% of this. The proposed tax would probably yield about $40,000 annually. Leading importers of American pineapples do not think that it would have any immediately unfavorable effect on American sales, but fear that the subsidies will ultimately enable French colonial growers to sell in France at lower prices.

The Figures of the Week And What They Mean

New developments of an encouraging nature are not prominent in the week's figures. . . . Steel is struggling to increase activity with the thinly spread orders from low priced car producers. . . . Construction activity leans heavily on public works that will raise the April totals above March. . . . Anthracite production continues to increase, and prices to rise. . . . Power production continues its spring decline, and carloadings lost some tonnage. . . . Check payments declined most sharply in financial centers. . . . Commodity prices continue unsteady, though a few increases are reported.

STEEL continues to scrape along at a low level of activity, though most estimates reveal an upward trend that now approaches 24% of capacity. Since the upward trend is contrary to the usual spring procedure in the steel industry, any adjustment for seasonal variation gives a sharp rise in the adjusted figures. For the week ending May 2 the adjusted figure reached 33% of normal, against 31% the preceding week and 29% for the 3 weeks earlier in April.

The prospects for steel in the next 2 months are extremely doubtful, depending largely on the general business situation. Hope continues to be expressed that motor production will gain momentum in May and June sufficient to strengthen or at least support the present level of operations. As yet, only the low priced car makers are placing steel orders, and these are in such moderate volume and so thinly spread that the effect on steel production is hardly apparent. Pittsburgh and Chicago, the 2 largest steel districts, have operated at about 20% of capacity for the past 3 weeks. Detroit, Buffalo, Cleveland, Wheeling, and Birmingham report some quickening of activity which offsets the poor reports elsewhere. Ford has attained a rate of 1000 cars a day, and is now seeking to nearly triple this output.

The official report on automobile production in March in the United States and Canada reveals a 3.5% gain over February. The bulk of the gain appears to be in Canadian factories, particularly in trucks. Here the month's output exceeded February by 52%, while in the United States the increase was only little more than 1%.

Pig Iron

The pig iron tonnage of April forecasts a poor showing for steel ingots. While the low of 1921 has not been passed, the month's total hovers dangerously near that previous minimum. The April daily average rate fell almost 9% behind March.

Other sources of steel demand continue to remain at low ebb. Railroad buying is practically at the vanishing point. Pipe laying is also slow. Structural steel requirements are dependent largely on public works contracts which made a better showing the past month.

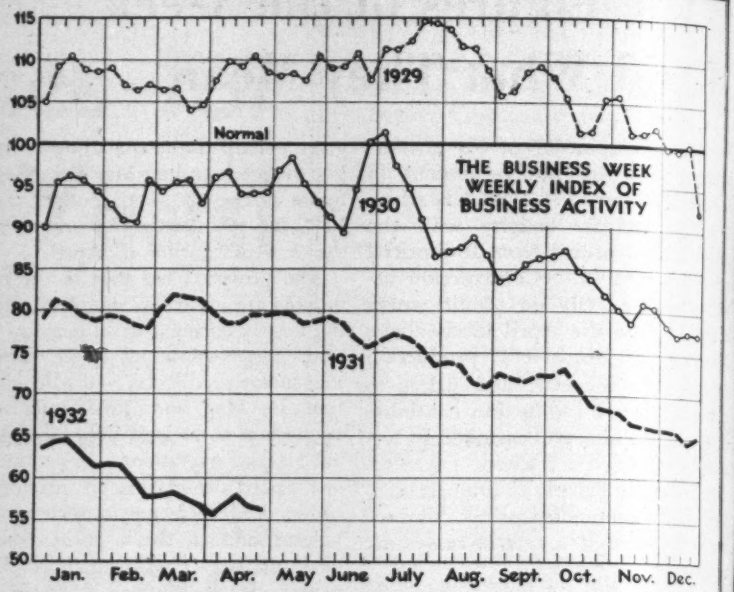
Thus far the price level of steel products has held fairly well, though the increasing frequency of the mention of wage cuts is imperiling future stability. Some feel that buying is being

THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	Latest Week	Preceding Week	Year Ago	Five-Year Average (1927-1931)
	*56.3	†56.7	79.4	.....
PRODUCTION				
Steel Ingot Operation (% of capacity)	*24	*23	47	77
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$4,428	$4,322	$12,992	$20,822
Bituminous Coal (daily average, 1,000 tons)	*792	825	1,052	1,354
Electric Power (millions K.W.H.)	1,455	1,470	1,644	1,572
TRADE				
Total Carloadings (daily average, 1,000 cars)	94	94	126	157
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	64	65	89	104
Check Payments (outside N. Y. City, millions)	$2,887	$3,298	$4,333	$5,349
Money in Circulation (daily average, millions)	$5,428	$5,422	$4,655	$4,691
PRICES (*Average for the Week*)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.52	$.54	$.73	$1.15
Cotton (middling, New York, lb.)	$.058	$.062	$.096	$.167
Iron and Steel (STEEL composite, ton)	$29.70	$29.74	$31.40	$34.94
Copper (electrolytic, f.o.b. refinery, lb.)	$.055	$.055	$.089	$.133
All Commodities (Fisher's Index, 1926 = 100)	61.8	6.18	73.1	90.3
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$1,794	$1,729	$939	$1,177
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$19,033	$19,119	$22,896	$21,997
Commercial Loans, Federal Reserve reporting member banks (millions)	$6,783	$6,838	$7,941	$8,600
Security Loans, Federal Reserve reporting member banks (millions)	$5,099	$5,131	$7,052	$7,146
Brokers' Loans, N. Y. Federal Reserve reporting member banks (millions)	$499	$495	$1,699	$3,721
Stock Prices (average 100 stocks, Herald-Tribune)	$80.69	$82.25	$125.09	$153.06
Bond Prices (Dow, Jones, average 40 bonds)	$74.78	$76.16	$95.31	$96.27
Interest Rates—Call Loans (daily average, renewal)	2.5%	2.5%	1.5%	5.3%
Interest Rates—Prime Commercial Paper (4-6 months)	3½-3¾%	3½-3¾%	2½-2¾%	4.2%
Business Failures (Dun, number)	670	663	532	483

*Preliminary †Revised

The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures —steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.



held up on the prospects of having such a cut passed on to consumers in the form of lower prices. Whether the steel producers are going to maintain a firm stand on this matter remains to be seen. Foreign competition on pig iron is said to lie at the bottom of the cut in eastern pig iron prices. Heavy melting scrap prices are also soft.

Construction activity in the closing days of April indicated some improvement in the daily average rate of contract letting over the previous weeks, but the gains came too late to turn the tide of the month in residential and nonresidential building projects. The adjusted index for the period ending Apr. 29 stands at 22% of normal compared with 21% the 3 preceding weeks.

Residential Building

Slightly more than $9 millions of residential contracts were awarded at the close of April, but this could only partially reduce the 15% lag reported in the first 19 business days of April as compared with March. Non-residential contracts were valued at $13.7 millions in the past few days, which also reduced the 8% decline of the first 3 weeks of April.

The activity of construction in the public works and utilities group is the bright spot of the month's figures. Over $12 millions were awarded in the last 7 days of April. While this was at a slightly lower rate than in the preceding 3 weeks, the 67% gain of this group will not be diminished by much when the month's totals are released. The value of all awards during the last week of April was nearly $35 millions, which will aid the month to show some improvement over March.

Bituminous coal production declined slightly during the week of April 23, but anthracite output continues to forge ahead and closely approaches last year's level. The adjusted index of the former declined to 45% of normal compared with 48% the preceding week.

Electric Power

Electric power production continues its downard trend which is not unusual for the season. Only when compared with the level of output for the past 3 years does this series reflect the reduced activity of industry. The slight improvement compared with last year can be accounted for by the decline from the bulge of the preceding week in the 1931 figures rather than to any change in the situation this week. The adjusted figure is down one point to 72% of normal for the week of Apr. 30.

The carloading figures for the week of Apr. 23 are not especially significant, though any decline tends to dampen what little hope prevails. Ore loadings increased in line with the slight expansion of steel activity, but the major groups of miscellaneous and less than carlot freight called a slight halt to the steady upward trend that characterized the preceding 3 weeks. The adjusted index remains unchanged at 57% of normal.

The volume of check payments again fell below $3 billions for the week of Apr. 27 in the 140 cities outside of New York. The adjusted index lost one point, standing at 63% of normal. The decline was especially severe in the 10 large financial cities of the country.

Currency circulation for week ending Apr. 30 continues to decline, leaving our index 47% above normal against 48% above in the preceding 2 weeks. Since the volume of currency is far above the amount necessary for the present volume of business activity, the interpretation of fluctuations in this series becomes somewhat difficult, especially as regards retail trade.

Commercial loans of reporting member banks in 102 leading cities failed to continue the expansion that looked so hopeful a week ago. The adjusted index declined to 7% above normal as of Apr. 27 compared with 9% above the preceding week.

Commodity Markets

The lack of encouragement in the stock and bond markets is duplicated in the commodity markets where a sagging tendency continues. Wheat fluctuated in low ground in spite of the bullish crop estimates of traders.

Silk continues weak, with mills reducing their consumption. Cotton moved irregularly in spite of the statement that the Farm Board would sell only half of its stock in the year beginning Aug. 1.

Cocoa, rubber, coffee, and hides made gains in the last 2 or 3 days, while sugar reached new lows. The non-ferrous metal markets were dull, with copper and lead steady, zinc down and tin gaining 3¢ on news of drastic production restrictions.

Trends of the Markets In Money, Stocks, Bonds

Federal Reserve continues vigorous credit expansion policy. . . . New York member banks increase loans and investments sharply. . . . Foreign exchanges well above export point. . . . Stocks drop to lower levels. . . . Fluctuations of U. S. governments feature of weak bond market.

Reserve Policy Is Now Taking Wider Effect

CONTINUED Federal Reserve open market operations, bringing about further credit relaxation, and gold withdrawals resulting from foreign fear of inflation in this country were the principal factors influencing the money market.

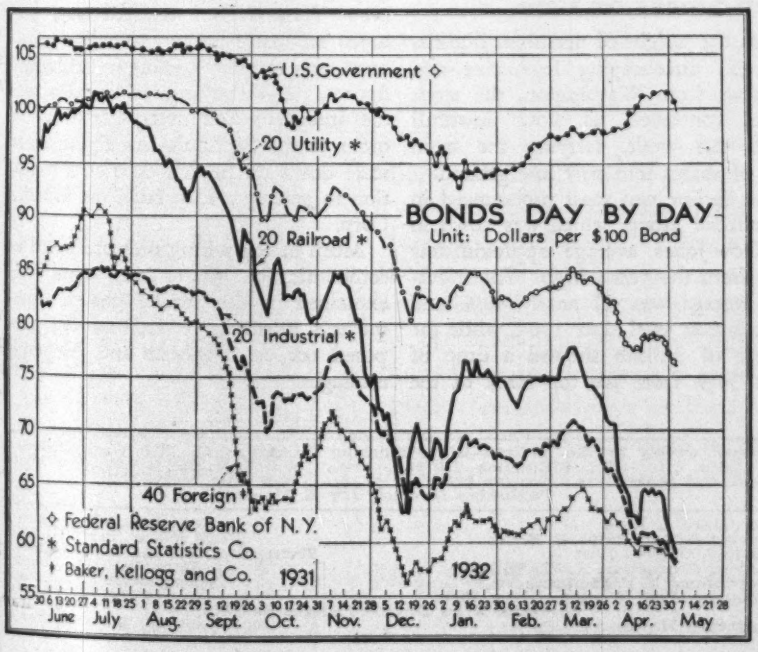
Pushing its money market program with customary vigor, the Reserve bought $95 millions of government securities. Bills discounted dropped and total reserve bank credit increased, both of which are favorable signs. Member bank reserves were up, reflecting increased deposits. Money in circulation, as reported by the Federal Reserve on May 5, showed an increase, due to the fact that the period included the month-end.

Outstanding credit of New York member banks increased. Investments in governments were up, due to large Treasury issues. Other investments also jumped as result of New York state issue of $75 million 1-year notes taken up during the week. All other loans, or business loans, increased $20 millions, more than compensating for the reduction in security loans.

Loans and investments of all reporting member banks have fallen $573 millions since late February, but only $25 millions during the past 2 weeks. With deposits jumping $122 millions, these developments are encouraging. Furthermore, borrowings are decreasing, indicating that the Reserve policy is taking effect in the interior.

Sharp advance in foreign exchange rates, particularly in quotations on the currencies of France, Holland, Belgium, and Switzerland, to points above the gold export point reflects persistent uneasiness abroad over the advocacy of special credit expansion measures in this country. However, no change in the aggressive easy money policy of the Reserve is anticipated. Almost $16 millions of gold was lost to Europe, including $5.9 millions to Holland, $4.7 millions to France, $4 millions to Switzerland, $0.7 millions to Belgium, and $0.5 million to Germany. Further exports are likely.

Reflecting the enormous liquidation of securities in April, New York Stock



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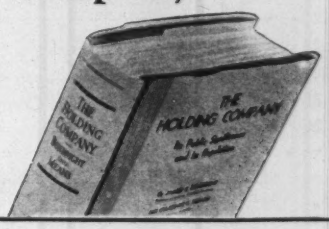

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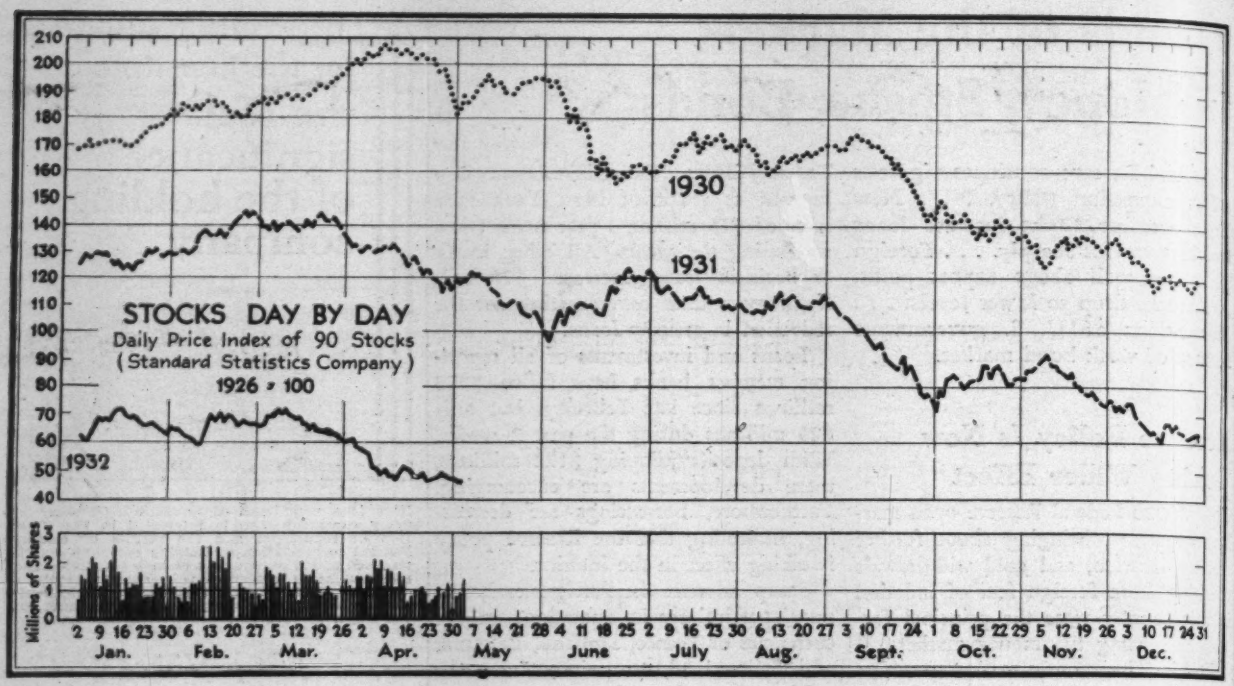

Exchange membership borrowings against security collateral declined $154 millions to $379 millions, the lowest total ever recorded.

Government Bonds Swing Wide With the Rest

BOND prices exhibited general weakness this week, with all groups, including the heretofore remarkably buoyant U. S. government issues, on the downgrade.

The wide fluctuation in domestic government bonds was the outstanding feature. After several weeks of rising prices in the face of declines in other sections of the market, this list abruptly reversed its course early this week under the influence of Washington news stressing the uncertainty of the budget situation and the passage by the House of the Goldsborough bill calling on the Federal Reserve System to raise prices. The unfavorable influences outside Washington were the adverse movement of exchanges and the further weakness of basic commodities.

Later in the week as the tenor of Washington news became a little more encouraging—and probably also due to Federal Reserve buying—government bonds displayed rallying tendencies, and slight recoveries were also made by the other groups.

The sharp breaks in carrier bonds sent this list into new low territory. Responsible in part for the persistent selling pressure in this section of the market was the uneasiness created by the Interstate Commerce Commission's action on the Frisco loan, as well as the unfavorable carloadings report.

The industrial and utility lists were influenced by poor earnings reports and the continued low state of production. Movements in the foreign government section of the market were irregular.

Liquidation, Legislation Keep Stocks on Run

UNDER the weight of persistent liquidation and discouraging legislative and tax news from Washington, the stock market continued its slow downhill march this week, carrying the main body of shares into new low ground.

The decline was most pronounced in the railroad group, which was down in the Dow-Jones average approximately 50% from the year's high. The industrial average was off nearly 40% and at the lowest level since 1904, while the average of utilities showed a drop of about 34% from the top mark of the year. A technical rally developed on Wednesday from an oversold condition and Washington advices that the manufacturers' sales tax might be revived, but the upswing failed to hold as profit-taking and renewed liquidation entered the market.

The market as a whole reflected the prevailing gloom concerning the industrial and business outlook, and the current uneasiness about the national tax program.

Weakness in the railroad list was quite general. Leaders like Atchison and New York Central touched new bottoms, reflecting in part the disappointment over the new decline in carloading figures. A disturbing factor also was the Interstate Commerce Commission's order to the St. Louis–San Francisco to scale down its funded debt as a condition to getting a loan from the Finance Corp.

Much of the selling pressure noted in communication shares this week was explained by the Senate Finance Committee's intention to increase the proposed tax on telephone and telegraph messages.

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